

Westport Representative Meeting
RTM Finance Committee
Report on the 2018-2019 Town Budget
For the RTM meeting, May 7, 2018

As stated in the Town Code, the RTM Finance Committee studies Town revenues and financial policies and practices, exclusive of individual department budgets. The Committee works with Town officials to secure adequate reports for the RTM. The Finance Committee further studies the Town's current financial position, the financial aspects of the annual budget, capital requirements and long term financial planning. While individual department budgets have been reviewed by appropriate RTM Committees, the Finance Committee met to discuss the budgets that the larger body is being asked to approve. After the BOF budget workshops and various Board of Education meetings, we started our formal review of the Town's financial position early in this new year in discussions with the Boards of Finance and Education, and other members of Town government and the RTM. We followed closely the deliberation of the Boards of Finance and Education, and that attention was warranted due to the unique aspects of this year's activities. Our discussions on both the Town and BOE budgets were delayed somewhat due to the uncertainties surrounding the Town's stance on the involvement of SROs, as well as participation by the teaching unions in the State's healthcare plans. The current state of those negotiations will be discussed at the RTM meeting.

We met with the Town Administration on Wednesday, May 2. First Selectman Jim Marpe and Finance Director Gary Conrad joined us with a number of Department heads to review the Town of Westport Budget. We continued on Thursday May 3 in a joint session with the RTM's Education Committee meeting with Schools Superintendent Colleen Palmer and Finance Director, Elio Longo, along with Board of Education members to review the BOE budget. This report, covering the Town Budget only, is the first of two reports prepared by the Finance Committee. The report on the 2018-19 Education Budget will be presented tomorrow, Tuesday, May 8, 2018.

I'd like to thank the Finance Committee of Cathy Talmadge, Lee Arthurs, Seth Braunstein, Greg Kraut, Christine Meiers Schatz and Lauren Soloff for their time and effort in reviewing the budgets, and on behalf of our committee, I thank all of the individuals, named and not named here, for their patience in helping us deal efficiently with the many intricacies of the budgeting process.

BACKGROUND

The preparation and approval of the budget is at least a five-month exercise involving the Town Administration, the Boards of Finance and Education, and the RTM, among others. The approval

by the RTM is the culmination of reviews by the Town, various boards, and RTM committees. Our reviews this year, as always, balanced the many priorities of the Town, namely:

the maintenance of:

- 1) our superior educational environment;
- 2) Town Services and Safety; and
- 3) our Modest tax burden.

We reviewed in addition:

- 1) The Appropriate funding of our future pension and OPEB obligations; And
- 2) the Responsible maintenance of the Town's outstanding debt levels.

Our deliberations reviewed the Town Budget, as presented and approved by the Board of Finance (BOF) at its March 13 meeting. There were no requests for restoration of any line item in the Town budget, which made our deliberations, largely, straightforward.

We viewed the First Selectman's Town budget request very positively from the start, as the initial projected increases of virtually all departments were within a modest range. The initial budget, before review by the Board of Finance, showed an increase of 1.21 %. Subsequent discussions and adjustments to pension contributions, and insurance coverage marginally reduced that increase to \$1.79 million from 2017-2018's original budget (+2.3%), or \$.74 million from the revised 2017-2018 budget (+0.93%).

The Board of Finance reviewed the budget and there were no requests for cuts and, therefore, none for restoration of any budget lines. In our review with the First Selectman and Department Heads, we asked if the departments felt uncomfortable with the belt-tightening which has been required over the last many years. None of the managers expressed concern with the current budgets, but we reviewed a number of looming challenges for the foreseeable future, and especially next year's budget. These included costs for Land Use Software; for the costs of waste treatment; and the added Public Protection expense as a number of new Fire Dept. recruits attain a new level of seniority on the force, among others. For this cycle however, all were commended for running departments that maintain excellent "customer service," while providing very responsible budgets for the taxpayer.

We cycled through the budget and approved unanimously all expenditures as presented by First Selectman Marpe. The only vote that was not affirmed 5-0 on the different departmental budgets by the members present was Human Services Budget, which passed 4-0 as Wieser recused himself. (Voting: Jeff Wieser; Cathy Talmadge; Seth Braunstein; Greg Kraut; Christine Meiers Schatz

BUDGET RECOMMENDATION

With no restoration requests to the Town budget, we voted unanimously 5 - 0 to adopt the \$80,179,583 Selectman's Budget for fiscal year 2018-2019 This represents a 0.93% increase over the FY2017-2018's revised operating budget (and a 2.23% increase from the original 2017-2018 budget).

In other actions, the Finance Committee voted unanimously to recommend to the RTM the BOF approved, benefit - assessed budgets for the Sewer Fund of \$4,783,623, up 1.1% from 2017-2018; the Railroad Parking Fund of \$1,832,990, up 13.4% (increase due to the movement of Lot #1 debt service of \$210,833 from the Town budget to this fund); and the Wakeman Town Farm Fund of \$220,728, down 22.6% (4-0 vote. Talmadge recused herself).

(Voting: Jeff Wieser, Chair; Cathy Talmadge, Seth Braunstein, Greg Kraut, Christine Meiers Schatz and Lauren Soloff).

TAXATION IMPLICATIONS

Once the final Town of Westport and Education budgets are adopted by the RTM at their May 7&8, 2018 meetings, the Board of Finance will set the mill rate for the 2018-19 fiscal year. This will be based on the Selectman's Budget of (1) \$80,179,853 , (2) BOE Debt of \$10,628,162, and (3) an overall Board of Education - requested budget of \$116,173,800 plus Program Expenses (\$124,225) and Private School Funding (\$386,995) for a total Town of Westport budget of (3) \$207,493,035. These amounts represent changes to last year's final adjusted budgets of

- (1) Town Budget: +0.93%
- (2) Education Operating Budget: +1.09%
- (3) Total General Fund Budget: +1.03.

There are certain adjustments before the amount needed to be raised by taxes can be determined. There are non-budgeted expenditures consisting of pending labor and litigation settlements which will be somewhat offset by turn backs from the current fiscal year (This net number is approximately \$800,000).

The total amount to be raised in taxes is reduced by non-tax revenue items. This number, totaling more than \$20 million, includes:

Prior tax collections;
Revenues from the Parks & Recreation Dept.;
Licenses & Permits;
State Grants; and
Education Programs.

When the BOF sets the mill rate they determine any contribution from the General Fund balance. When possible, the BOF uses this balance to reduce taxes while keeping the fund in a previously – set range of 9-11% of total budgeted annual expenses. This range is an important feature in the Town’s discussions with the ratings agencies. We need to balance a level of available “rainy day funds” with an undertaking by the Town to keep tax rates as low as possible so that current taxpayers are not disproportionately funding future obligations. The Board of Finance will determine in late May the contribution, if any, from the General Fund. In setting the mill rate this year, the BOF will take into account the many uncertainties arising from the State’s well-known fiscal woes. The challenges of last year continue to exist, but they were much less a part of the dialogue this year, because we have reduced our expectations of what past support the State might be able to continue. We are largely, not budgeting any support from the State; the main threat remains that the CT government will impose new reimbursements from municipalities, and we all need to be vigilant about that concern.

PROJECTED TAXES 2017-2018

While there is great uncertainty with the role of the State in the ongoing budgets of the Town, the BOF will set the mill rate with the factors that are known in mid-May. The stated goal of the Board of Finance is to maintain the mill rate at 16.86. That current rate has been in effect since 2016-2017, when it was decreased from 18.09. It has held steady since.

What does this mean to the taxpayer?

The historic tax charge on a home with a market rate of \$1,000,000, and a consequent assessed value of \$700,000 has been as follows:

2010-2011 (mill rate: .01485):	\$10,388
2011-2012 (mill rate: .01743):	\$12,201
2012-2013 (mill rate: .01791):	\$12,537
2013-2014 (mill rate: .01807):	\$12,649
2014-2015 (mill rate: .01794):	\$12,558
2015-2016 (mill rate: .01809):	\$12,663
2016-2017 (mill rate: .01686):	\$11,802
2017-2018 (mill rate: .01686):	\$11,802
2018-2019 (proj.) (mill rate: .01686):	\$11,802

With the exception of a number of Litchfield County rural communities, our mill rate is among the lowest in the state. It compares favorably to most towns like Weston at 28.91 and Wilton at 27.7685, but we remain well above the Greenwich mill rate which is .011369, and slightly above Darien (.01616) and New Canaan (.016669).

OTHER FINANCIAL CONSIDERATIONS

Taxes, and the increase in the tax rate, are always a principal consideration of the RTM Finance Committee at this time of the year. There are other issues which are important to mention here, however.

Total Debt outstanding reached a high of \$177,120,000 at Fiscal Year End (FYE) 2006. At FYE2018, after an expected bond issuance prior to June 30, it is anticipated to be \$104,761,502. Additionally, over the course of the years, we have been able to decrease interest expense by refinancing our long term debt to take advantage of the low interest rate environment. It is expected that will grow modestly over the next few years as we commit to longer term capital projects and “catch up” with some of the projects that have been deferred. All of these expenditures will be subject to appropriation requests to the BOF and RTM.

Funding for employee pensions are re-evaluated every year. The pension funds in the aggregate were reported to be under-funded as of June 30, 2017, but the overall picture continues to improve on the funding of these obligations. Total funding is 90.4% of the most recent 2017 liabilities valuation. As of Dec. 31, 2017 the market value of the pension fund was \$323 million.

The request for the Annual Required Contribution (ARC) to the pension budget is \$6,435,567 compared to the contribution in the 2017-2018 budget of \$8,109,567. Retiree medical costs are now funded, per Governmental Accounting Standards Board statement No. 43 and 45, through the OPEB (Other Post Employee Benefits) Account. There was \$61,160,765 in the OPEB Account at 3/31/2018, and the budget next year calls for a contribution of \$4,935,000, as the town continues to build the balance to reflect the actual unfunded liability. The total projected OPEB liability is currently calculated to be \$123,400,000. There remains a big gap in accounting for this long term liability, but that gap is identified and acknowledged and is being reduced as we make continuing contributions to the fund.

The RTM Finance Committee appreciates the assistance it has received in this budget cycle from Jim Marpe, Gary Conrad, Colleen Palmer, Elio Longo, the Board of Education and the Board of Finance, and all our Town’s department heads.

Respectfully submitted,

Jeff Wieser, Chair & Reporter