

**MEMORANDUM
MUNICIPAL ACCOUNTABILITY REVIEW BOARD**

To: Municipal Accountability Review Board
From: Julian Freund
Subject: West Haven Updated Five Year Plan: FY 2021 – FY 2025
Date: April 24, 2020

The City of West Haven has submitted a Draft Update to the General Fund portion of its Five-Year Plan covering fiscal years 2021-2025. The following provides a brief summary of the updates reflected in the draft materials provided thus far. Following the narrative summary, a table provides comparisons of the key assumptions used in previous approved plans to the updated version.

General Fund:

Revenues

Projected General Fund revenues in the first year of the plan (FY 2020) correspond to the revenues in the proposed FY 2021 budget submitted on March 19, 2020. Revenues then increase by 1.6% and 0.6% in the two subsequent years before leveling off in year 4 and decreasing by -0.6% in year 5. General Fund revenues in the final year of the plan (FY 2025) at \$167.8 million are 6.5% higher than actual revenues for FY 2019 (not including MRF). The additional revenue over this period is generated almost entirely through Property Taxes.

Revenues	FY 2021	FY 2022	FY2023	FY 2024	FY 2025
Total Revenues, not including MRF	161,217,793	165,904,869	168,879,164	168,788,964	167,838,849
Municipal Restructuring Funds (MRF)	<u>4,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, including MRF	165,217,793	167,904,869	168,879,164	168,788,964	167,838,849
Change vs. Prior Year	1.4%	1.6%	0.6%	-0.1%	-0.6%

Property Tax revenue increases are driven primarily by increases in the mill rate plus modest growth in the grand list. The impact of anticipated development projects (the Havens and the redevelopment of two vacant schools) is built into the grand list projections. State Aid to municipalities is held flat throughout the five year period. Most of the remaining sources of revenue, which comprise less than 5% of total revenues, increase by either 1% or 3% per year in the plan.

Municipal Restructuring Funds (MRF)

The plan reflects a decline in Municipal Restructuring Funds (MRF) in the first two years followed by elimination of MRF in FY 2023. This is consistent with prior versions of the plan.

Expenditures

Projected General Fund expenditures in the first year of the plan correspond to the expenditures in the proposed FY 2021 budget submitted on March 19, 2020. Total expenditures increase 1.8% in FY 2022 followed by an overall decrease of -2.8% in FY 2023 largely as a result of the final payments made on the

previously issued pension obligation bonds. Over the five year period, when Debt Service is excluded, expenditures increase between 0.9% and 1.4% per year.

Expenditures	FY 2021	FY 2022	FY2023	FY 2024	FY 2025
Expenditures	164,792,995	167,715,728	163,050,893	165,685,902	167,698,002
Change vs. Prior Year	1.1%	1.8%	-2.8%	1.6%	1.2%
Debt Service	18,643,292	20,268,203	13,532,992	14,515,273	14,802,702
Expenditures not incl. Debt Service	146,149,703	147,447,525	149,517,901	151,170,629	152,895,300
Change vs. Prior Year	1.5%	0.9%	1.4%	1.1%	1.1%

Savings from Efficiencies, Consolidations and Shared Services

The original 5-Year Plan, and the updated plan for FY 2020-2024 both included placeholders for net savings of approximately \$1.25 million beginning in FY 2020. While the updated materials incorporate savings achieved through the transition of active employees to the State Partnership health plan and through participation in CCM’s Energy Purchase Program, any efforts to achieve budgetary savings through efficiencies and other initiatives are not directly addressed.

Fund Balance

Due to the restatement of fund balance for FY 2018, fund balance projections do not reach target levels on the same timeline as the original 5-Year Plan. The resulting projections show General Fund balance reaching the same levels as the original plan by FY 2023 (5.2% of expenditures). Fund Balance reaches 7% of projected expenditures by the fourth year of the plan.

Fund Balance Projections: In millions

FY Ending	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24	6/25/20
Updated 5-Yr Plan	\$1.36	\$2.05	\$2.48	\$2.67	\$8.49	\$11.6	\$11.74
Original 5-Yr Plan	\$1.23	\$1.65	\$2.71	\$4.59	\$8.63	NA	NA

Key Assumptions	Original 5-Year Plan FY19-23	Approved 5-Yr Plan FY20-24	Updated 5-Yr Plan FY21-25
Revenue			
Grand List Growth	FY20: 0.3% FY21: 0.06% FY22: 4.06% FY23: 0.06%	FY20: 1.1% FY21: 0.08% FY22: 2.23% (Reval. year) FY23: 0.48% FY24: 0.04% Growth factors inclusive of development activity related to Havens and schools redevelopment	FY21: 1.34% FY22: 1.82% (Reval. year) FY23: 0.59% FY24: 0.19% FY25: 0.04% Growth factors inclusive of development activity related to Havens and schools redevelopment
GF Mill Rates - Real Estate/Personal Property	FY20: 37.25 FY21: 39.26 FY22: 39.99 FY23: 39.99	FY20: 36.68 FY21: 37.86 FY22: 39.01 FY23: 39.82 FY24: 39.75	FY21: 37.48 FY22: 38.51 FY23: 39.53 FY24: 39.37 FY25: 38.95
GF Mill Rates - Motor Vehicles	37.00 Each year	37.00 Each year	37.00 Each year
Non-Current Levy Taxes	Based on historical actuals with projected increase resulting from personal property tax audit and efforts to increase past due MV tax	Based on prior years experience and adjusted for efforts to improve collections on past due personal property and motor vehicle tax	Based on prior years experience and adjusted for efforts to improve collections on past due personal property and motor vehicle tax
State Aid	Level funding all 5 years	Level funding all 5 years	Level funding all 5 years
Other Revenues	Most increase by 3% annually	Most increase by 3% annually	Most increase by 1% or 3% annually. Few increase by 5%
Expenditures			
Salary/Payroll	Level funding all 5 years. Contingency factor in FY22 and FY23	Based on existing contracts and range of 1-2% for out years. Includes phased filling of vacancies.	FY 2021 includes net increase of 4 funded full-time positions. Additional 3 vacancies in Police Dept. and one clerical position filled over FY22 and FY23 (the City anticipates adjusting the plan for filling vacancies). General wage increases based on existing and anticipated labor contracts.
Police Pension	FY20: \$2.936 million FY21: \$3.334 million FY22: \$3.432 million FY23: \$3.467 million	FY20: \$2.498 million FY21: \$2.412 million FY22: \$2.430 million FY23: \$2.452 million FY24: \$2.543 million	FY21: \$2.412 million FY22: \$2.430 million FY23: \$2.452 million FY24: \$2.543 million FY25: \$2.637 million
Health Insurance	Increase at 7.6% per year. Self funded claims margin included FY20-FY23	Increase at 7.6% per year. Self funded claims margin included FY20-FY24	Active City: Based on Partnership rates increase of 7% per year Retirees City: 7% rate increases per year
Non-Payroll Expenses	Inflation factor of approximately 2%/yr	Inflation factor of approximately 2%/yr	Inflation factor of 2% per year for most objects
Education	GF contributed increases by 0.4% per year	FY20: Level funding FY21: +0.8% FY22-FY24: +0.4%/yr	FY21: Level funding FY22-FY25: +0.4%/yr
Debt Service	Projections included existing debt service, projected high school project, additional public infrastructure funding	Debt service amounts based on projections provided by bond advisor. High school project and additional public infrastructure funding included	Debt service based on existing issued debt, plus planned issuance in July 2020.
Municipal Restructuring Funds			
Reliance on Municipal Restructuring Funds	FY20: \$6 million FY21: \$4 million FY22: \$2 million FY23: \$0	FY20: \$4.115 million FY21: \$4 million FY22: \$2 million FY23: \$0 FY24: \$0	FY21: \$4 million FY22: \$2 million FY23: \$0 FY25: \$0 FY24: \$0
Efficiencies, consolidations, shared services			
Projected savings	Placeholder of \$1.245 net savings beginning in FY20	Placeholder of \$1.245 net savings beginning in FY20. Narrative details initiatives.	Not addressed in draft