

MUNICIPAL ACCOUNTABILITY REVIEW BOARD (MARB)

MEMORANDUM

TO: Members of the Municipal Accountability Review Board
FROM: Julian Freund, OPM
SUBJECT: West Haven 5-Year Plan
DATE: October 18, 2018

Status of Five-Year Plan

As you know, the MARB's approval of the City's 5-Year Financial Plan has been established by the MARB as a critical prerequisite for recommending to the Secretary of OPM that the City receive State Municipal Restructuring Funds (MRF).

At the October 4 meeting of the MARB, the City and its consultant, UHY LLP, presented the current version of the 5-Year Plan (plan dated 9/28/2018). A summary of the Plan's major assumptions and features is attached at the end of this memo.

Possible Committee Action

The Committee has several options with respect to a recommendation to the full MARB on the 5-Year Plan. The Committee may:

- Recommend to the MARB approval of the Plan
- Recommend approval of the Plan conditional upon certain revisions to the Plan
- Recommend that the MARB not approve the Plan
- Make no recommendation

Cc: Mayor Nancy Rossi, City of West Haven
Ron Cicutelli, Directory of Finance, City of West Haven
Robert Dakers, OPM
Alison Fisher, OPM
Riju Das, OTT
Michael Milone

Summary of West Haven 5-Year Plan (9/28/18 version)

Revenues:

- Grand List growth between 6/100th of a percent to 3/10th of a percent in each year except for one revaluation year that results in a projected 4% increase in the GL
- General Fund mill rate increases on RE and PP that bring the mill rate from 36.26 in the current year to 39.99 by FY 2022.
 - Mill rate for FY 2022 and 2023 that is 10% higher than the FY 2019 mill rate
- Allingtown Fire Fund mill rate on RE and PP that increases by 14.85% in FY 2020 and continues to increase through the rest of the plan.
 - A supplemental tax of about one mill in the current year.
- State Aid, including ECS, show no increase throughout the 5-year plan
- MARB Restructuring Funds are included in each of the first four years of the Plan in declining amounts (beginning with \$8M in FY 2019)
- Sources other than State Aid and Property Taxes are adjusted to varying degrees:
 - Many are increased by 3% in each year of the plan
 - Some are adjusted to reflect special initiatives, such as increased facility fees or new parking meter installations
 - Some are adjusted downward in the first two to three years to reflect recent trends, increasing modestly in the out-years
 - In the aggregate, these Other Sources (non-property tax, non-state aid), which total \$5.2 million in FY 2019, decline slightly between 2019 and 2021, before increasing by 2% and 3% in 2022 and 2023

Expenditures:

- Baseline expenditures in FY 2019 reflect a list of position cuts and operational reductions compared to the FY 2018 budget (page 6)
- Total Expenditures increase between 1.1% and 1.7% from 2019 to 2022 before declining -2.4% in 2023.
 - Decrease attributable largely to significant drop off in debt service requirements – POB paid down
- FY 2018, Health Insurance costs in 2019 are budgeted at levels recommended by Segal Consulting.

- In subsequent years, health insurance costs are projected using Segal's recommended 7.6% cost inflation factor.
 - Provides for a health insurance claims margin of 3% of projected net costs each year.
 - In total, health insurance funding rises by about \$3.5 million over the five-year period for the City in the General Fund and by a half million in the Allingtown Fire Fund
 - Beginning of contributions to OPEB trust: \$50K in 2020, increasing by \$25K each year thereafter
- The plan provides for fully funding actuarially determined contributions for both the Police and Allingtown Fire pension funds.
 - Contributions for the Police pension fund increase from just under \$2 million in FY 2019 to approximately \$3.5 million in FY 2023.
 - In the Allingtown Fire Fund, pension contributions account for about 29% of the total budget at \$2.17 million in FY 2019 and reaching \$2.4 million in FY 2023
- Debt Service funding is included in the General Fund that will support the following:
 - Existing debt service requirements, including the November 2017 issue
 - West Haven High School project
 - A CIP for 2019-2023 consistent with what was outlined by IBIC in its July presentation
- Operationally, expenditures allow for no new positions (other than two positions specifically for the purpose of increasing financial administrative capacity) through the 5-year period.
 - No salary increases are factored in, though some salary contingency in years 4 and 5 of the plan are included.
 - Operational Efficiencies are assumed to generate savings equivalent to .75% of expenditures in the General Fund (net of the cost of implementing efficiency measures) in each year from FY 2020 – 2023.
 - The status of efficiency measures range from the idea stage to some that have been initiated (ex. consultants retained in areas of benefits administration, consultants retained to help enhance PP and MV tax collection

Operating Results and Fund Balance:

- Plan moves the City from a position of operating deficits and negative cumulative fund balance in the General Fund at the close of FY 2018 to a position of operating surpluses and a fund balance of 5% by FY 2023.
- Relies on continued Restructuring Funds assistance in declining amounts:
 - \$8 million in each of FY 2018 and FY 2019
 - \$6 million FY 2020
 - \$4 million FY 2021
 - \$2 million FY 2022 (though the projected deficit in FY '22 absent the restructuring funds would only be \$114K)
 - City achieving operating surpluses in FY 2023 without restructuring funds
- Allingtown Fire Fund
 - Opening deficit of \$425K (would grow to \$800K+ were it not for the supplemental mill)
 - Gradually eliminating the cumulative deficit over the course of the plan
 - Reaching a Fund Balance of 4.9% at the end of the plan.