

MEMORANDUM
MUNICIPAL ACCOUNTABILITY REVIEW BOARD

To: Municipal Accountability Review Board
From: Julian Freund
Subject: West Haven Updated Five Year Plan: FY 2020 – FY 2024
Date: June 10, 2019

The City of West Haven has submitted its proposed updated Five Year Plan covering fiscal years 2020-2024. The following provides a brief summary of the proposed update to the Five Year Plan. Following the narrative summary, a table provides comparisons of the key assumptions used in the original approved plan to the proposed updated plan.

General Fund:

Revenues

Projected General Fund revenues in the first year of the plan (FY 2020) correspond to the revenues in the budget approved by the MARB on May 30. Revenues then increase by 2.3% and 3.0% in the two subsequent years before leveling off in years 4 and 5. General Fund revenues in the final year of the plan (FY 2024) at \$168.65 million are 7.9% higher than revenues projected for FY 2019. The additional revenue over this period is generated almost entirely through Property Taxes.

Property Tax revenue increases are driven by both increases in the mill rate as well as modest growth in the grand list (as shown in the assumptions table). 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 relatively flat throughout the five year period. The remaining sources of revenue, which comprise less than 5% of total revenues, generally increase by around 3% per year in the plan.

Municipal Restructuring Funds (MRF)

Municipal Restructuring Funds are budgeted at \$4.115 million in FY 2020. The amount is reduced to \$4 million in FY 2021 and \$2 million in FY 2022. No MRF is included as a revenue source in either of the final two years of the plan.

Expenditures

Projected General Fund expenditures in the first year of the plan (FY 2020) correspond to the expenditures in the budget approved by the MARB on May 30. Total expenditures increase by 1.7% and 1.9% in the two subsequent years before declining by -2.5% in FY 2023. The projected reduction in expenditures in FY 2023 is the result of the final payments made on previously issued pension obligation bonds in FY 2022 (absent the decline in debt service costs, expenditures would increase by 1.4% in FY 2023). Expenditures rise again in FY 2024 by 1.6%.

Savings from Efficiencies, Consolidations and Shared Services

The original 5-Year Plan included a placeholder for net savings of \$1.245 million beginning in FY 2020. The updated plan includes a placeholder for these savings beginning in FY 2020, however the narrative section of the plan provides the City's planned initiatives for realizing savings.

Fund Balance

The resulting fund balance projections exceed the amounts reflected in the original 5-Year Plan primarily because of more favorable FY 2018 results than had been anticipated. The updated fund balance projections reflect the projected surplus for FY 2019 and the hold back of \$2.5 million of current year MRF. The resulting projections show General Fund balance reaching the same levels as the original plan, though at a faster rate. Fund Balance reaches 6% of projected expenditures by the final year of the plan.

FY Ending	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24
Updated 5-Yr Plan	\$3.15 M	\$3.15 M	\$3.97 M	\$4.59	\$8.61	\$10.03
Original 5-Yr Plan	\$1.23	\$1.65	\$2.71	\$4.59	\$8.63	NA

Allingtown Fire Fund:

The Allingtown Fire Fund projections reflect a projected current year surplus of approximately \$537,000. This will eliminate the FY 2018 fund balance deficit and result in a fund balance of more than \$400,000 as of 6/30/19. The original 5-Year Plan assumed a more gradual elimination of the 6/30/18 deficit. As a result of the projected current year surplus, mill rate increases in the updated 5-Year Plan are more gradual than in the original plan. The updated plan projects annual mill rate increases reaching 15.84 mills by the final year of the plan. The plan projects modest surpluses in years 2 through 5 of the plan, maintaining fund balance at 5.6% of total expenditures throughout.

FY Ending	6/30/19	6/30/20	6/30/21	6/30/22	6/30/23	6/30/24
Updated 5-Yr Plan	\$418,161	\$418,161	\$436,278	\$448,966	\$461,557	\$474,885
Original 5-Yr Plan	(\$384,234)	(\$180,630)	(\$48,207)	\$249,091	\$400,975	NA

Sewer Fund:

Sewer Fund projections throughout the 5-Year Plan show revenues matching expenditures with no resulting changes in fund balance. Service rate increases are projected at a faster rate compared to the original plan, reaching \$434/unit by FY 2023 (\$429 per unit in FY 2023 in original plan) and \$439/unit in FY 2024. A modest surplus projected in the current fiscal year will add to the 6/30/18 fund balance of \$1.76 million.

Summary of Key Assumptions

Key Assumptions	Original 5-Year Plan FY19-23	Updated 5-Yr Plan FY20-24
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% FY23: 0.48% FY24: 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: 38.53 FY22: 39.59 FY23: 39.83 FY24: 39.73
GF Mill Rates - Motor Vehicles	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
State Aid	Level funding all 5 years	Level funding all 5 years
Other Revenues	Most increase by 3% annually	Most increase by 3% annually
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.
Police Pension	FY20: \$2.936 million FY21: \$3.334 million FY22: \$3.432 million FY23: \$3.467 million	FY20: \$2.498 million FY21: \$3.334 million FY22: \$3.432 million FY23: \$3.467 million FY24: \$3.536 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
Non-Payroll Expenses	Inflation factor of approximately 2%/yr	Inflation factor of approximately 2%/yr
Education	GF contribution increases by 0.4% per year	FY20: Level funding FY21: +0.8% FY22-FY24: +0.4%/yr

Summary of Key Assumptions

Key Assumptions	Original 5-Year Plan FY19-23	Updated 5-Yr Plan FY20-24
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
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
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.