

July 1, 2014

STABILITY & RESPONSIBILITY

City of New Britain Budget
FY 2015



Mayor
Erin E. Stewart

NEW BRITAIN COMMON COUNCIL

Suzanne Bielinski

Shirley Black

Carlo Carlozzi, Jr

Tonilynn Collins

David DeFronzo

Jamie Giantonio

Eva Magnuszewski

Don Naples

Adam Platosz

Lou Salvio

Daniel Salerno

Emmanuel Sanchez

Robert Smedley

Willie Pabon

Mike Trueworthy

BOARD OF FINANCE & TAXATION

Mary Marrocco, Chairwoman

Mark DeGrandis, Vice Chairman

Peter Denuzze

Rob Kusiak

Josephine Moreno

Brian Bagdasarian

MAYOR'S BUDGET TEAM

A COLLABORATIVE EFFORT

- Mayor Erin E. Stewart
- Chris Wolf, Acting Finance Director
- Rebecca Salerni, Deputy Finance Director
- Jonathan Perugini, Budget and Capital Projects Fiscal Officer
- All Department Heads
- All Union Presidents
- Employee Recommendations



DEMOGRAPHICS *

- 2011 Total City Population Estimated at 73,055
- 2000 Total City Population was 71,538

- Equates to an Estimated 28,659 Households
- Median Price of a House \$152,500
- Median Household Income \$39,838
- Median Age 33 years old

- *Data obtained from the CT Economic Resource Center, Inc. 2013 New Britain CT profile.

WHERE WE ARE

- **\$10 Million deficit FY 14**
- **Critical shortage of cash to where the City had to take out a \$15 million dollar bank loan for 3 months.**
- **Standard & Poor's bond rating downgrade of three notches from "A" to "BBB".**

HOW DID WE GET HERE?

- City Government did not ask tough questions or make tough choices over the last 20 years
- Leadership refused to acknowledge that expenditures cannot increase while revenues remain flat
- Too much governing with an eye towards the next election

OVER THE LAST TWO YEARS

- Unbalanced - and fictitious - revenues and expenditures
- A complete over reliance on one-shot revenues
- Combining General Fund and Special Revenue Fund \$\$
- Crushing bond debt
- Disorganized reorganization

A NEW VISION: STABILITY & RESPONSIBILITY

- Restoring pride to New Britain
- Delivering the leadership needed to be most responsive to our citizens
- Providing our children with the education they deserve
- Being transparent in all our dealings
- Better enabling New Britain to be open for business
- Being fiscally responsible

***A progressive community
must continue to invest in its
future.***

INCLUSIVE APPROACH TO BUDGETING

- Mayor held meetings with department heads and budget team to determine where cuts can be made
- Adoption of Zero Based Budget Approach
 - Building a budget from the bottom up
 - Start at 0 and go from there
 - No more business as usual
- Meetings with union presidents to solicit input
- Mentality: Reduce spending first, increase revenues last

FY 2015 BUDGET TIMELINE

- January 10, 2014 Department requests due to Mayor and BOF
- January 28, 2014 BOF received compiled budgets
- March 13, 2014 BOF presented budget to Mayor
- April 9, 2014 Mayor presented her budget to Council
- June 5, 2014 Council adopted final budget



BUDGET CHALLENGES

- **Cost of City services**
 - Driven up by contracts and state mandates
- **Increasing cost of energy/utilities**
- **Cost of maintaining an aging infrastructure**
- **Rising health insurance costs**
 - Increased by nearly 20% over the past 5 years from \$28.5m to \$33.8m
- **Rising pension costs**
 - Increased from 7% of salary cost to 16% over the past 7 years
- **Cost of contract settlements**
- **Stagnant/shrinking tax base**
- **Political pressures to keep mill rate stable**

FY 2015 SPENDING REDUCTIONS

- Department Request Budget = \$259,369,288
(9.2% **increase** over FY 2014 Budget)
Est. Mill Rate = 65.39 **increase** of 21.27 Mils
- Board of Finance Budget = \$245,852,790
(3.5% **increase** over FY 2014 Budget)
- Mayor's Budget = \$216,290,616
(8.94% **decrease** from FY 2014 Budget)
- Common Council's Budget = \$216,290,616
(Same bottom line as the Mayor's Budget)



STABILITY & RESPONSIBILITY: CUT FIRST

- Elimination of 31.5 positions
- Maximizing grant funds
- Union suggestions
 - Valuable input from 1186,1303 & 818
- Fire Union promise to find \$1.2M in reductions to avoid layoffs and closing fire stations
- Debt Service Restructuring – one-time in nature, but necessary
 - Amortizing over 10 years to provide stability in debt service payments
 - Approved at the 3/12/14 Council meeting

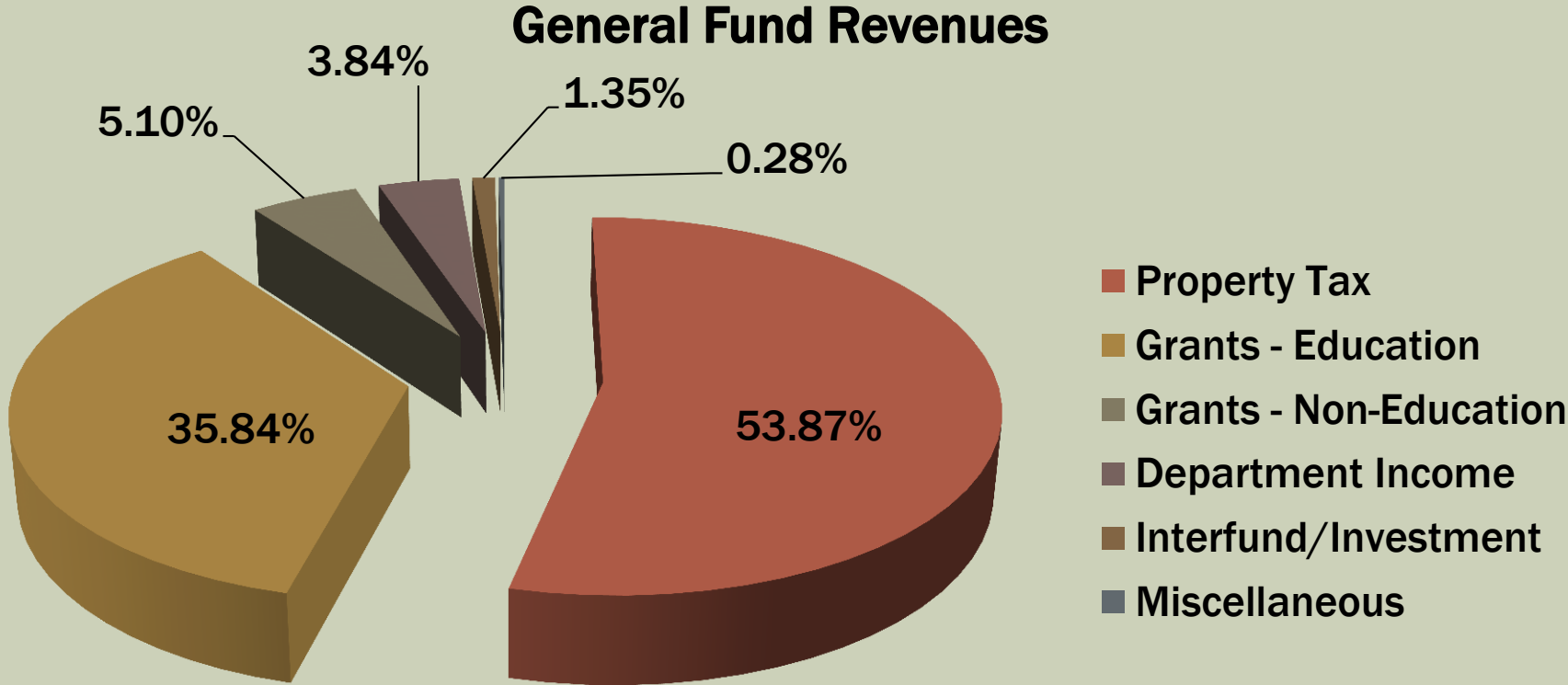
STABILITY & RESPONSIBILITY: CUT FIRST

- Total overall reduction from FY 14 Budget:
(\$21,258,505)
- Notable reductions:
 - Debt Service: (\$12,552,000)
 - Public Works: (\$5,031,238)
- Necessary increases:
 - Police: \$277,279

ENCORE! PROGRAM

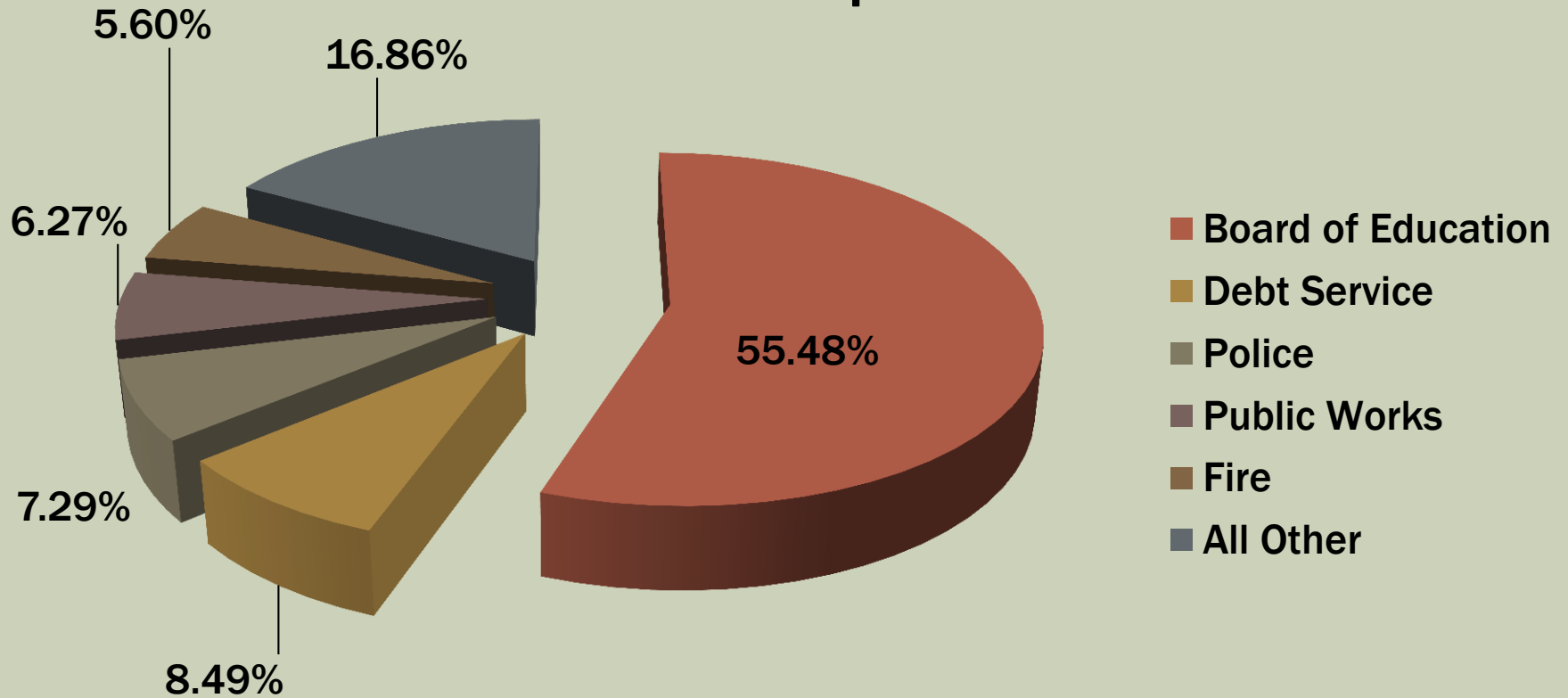
- Creating guidelines now
- Employee will be able to retire but return for 19.5 Hours/ week for a set period of xx months (TBD)
- For employees with multiple years of service
- Phase out for retirement
- Able to retain knowledge and train successors

WHERE THE MONEY COMES FROM

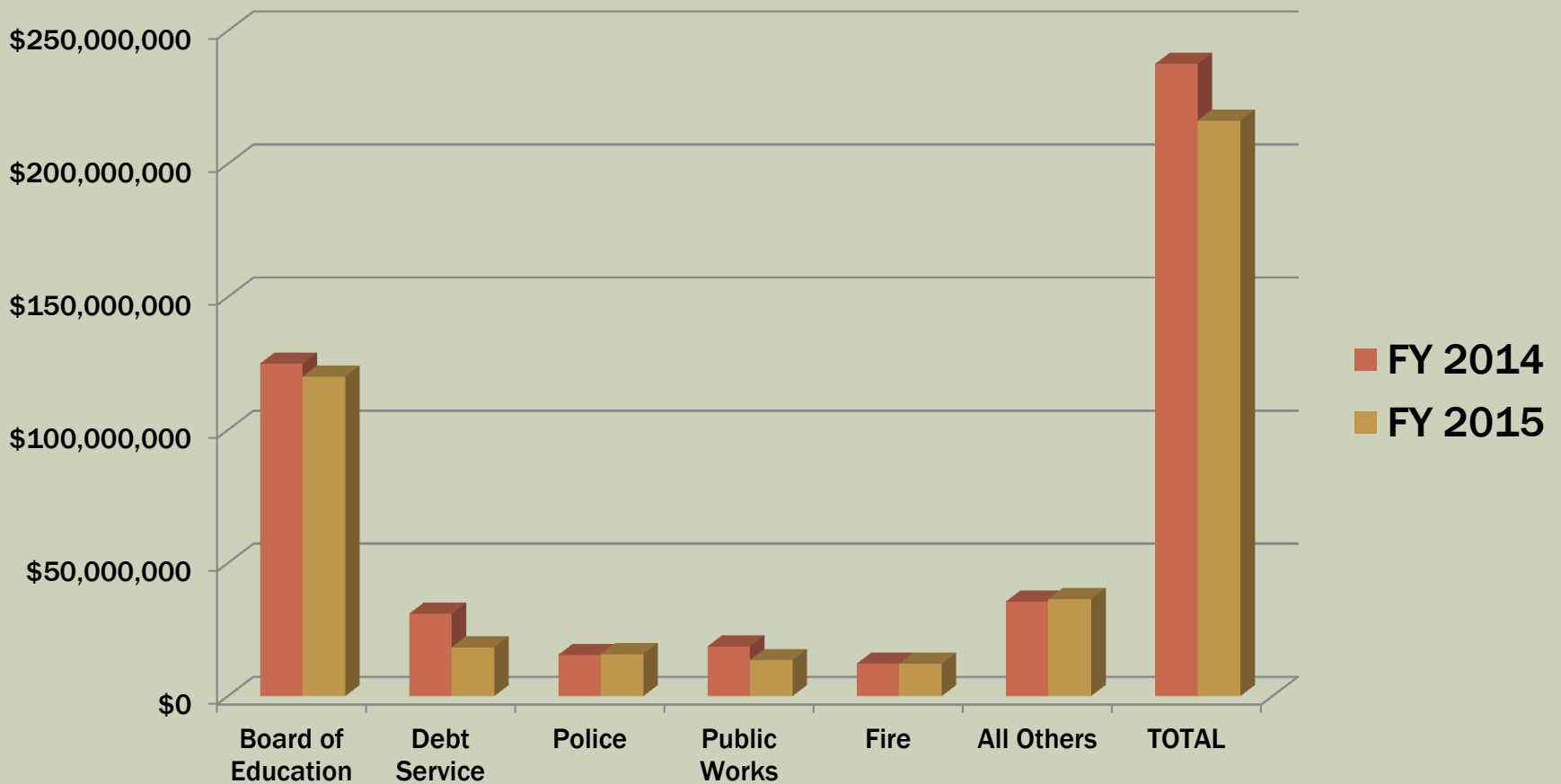


WHERE THE MONEY GOES

General Fund Expenditures

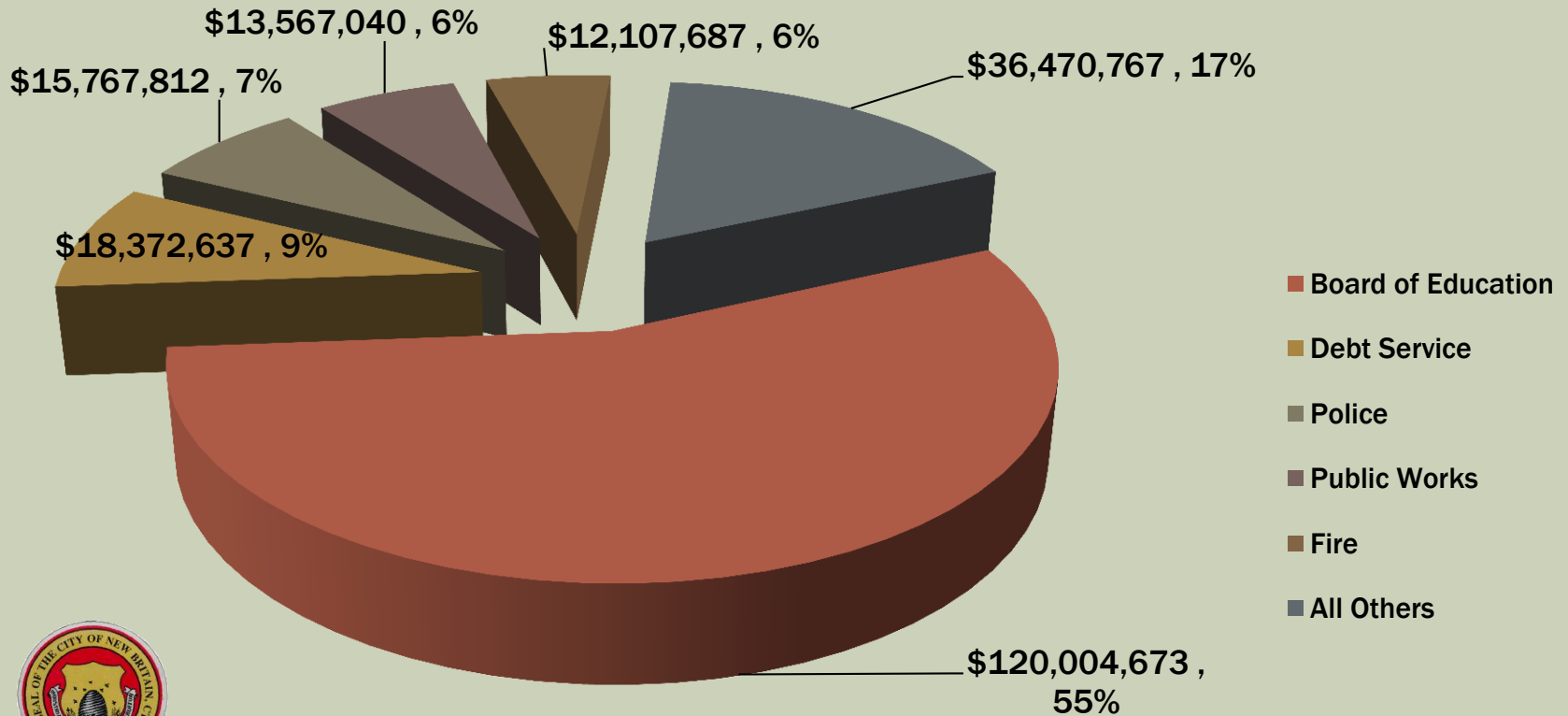


NEW BRITAIN BUDGET (EXPENDITURES) FY 2015 VS FY 2014



FY 2015 NEW BRITAIN'S BUDGET APPROPRIATIONS

General Fund Appropriations



STABILITY & RESPONSIBILITY: REVENUE SECOND

- Revenue Increases
 - Parking Fee/Fine Increases
 - Permitting/Inspection Fee Increases
 - Recreation Program Fee Increases
 - Public Works Program Increases
 - Bristol Resource Recovery Fund Balance Distribution

BUT INCREASES ARE NOT ENOUGH TO OFFSET THE DEFICIT

LAST RESORT

TAX INCREASE.

WHAT WE DIDN'T DO

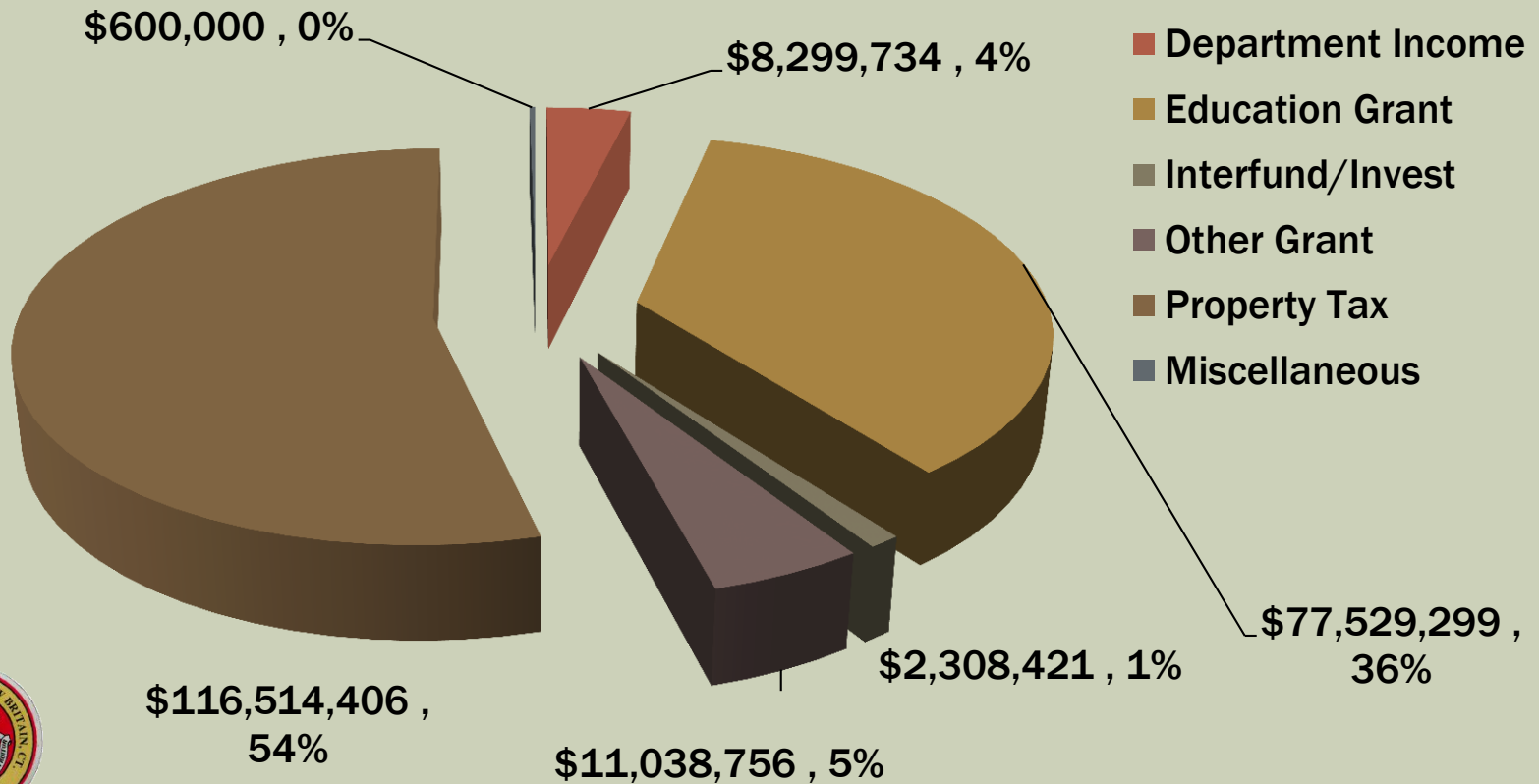
**We could have laid off 507 people to account for deficit.
City Government employs just over 575 people.**

Other options:

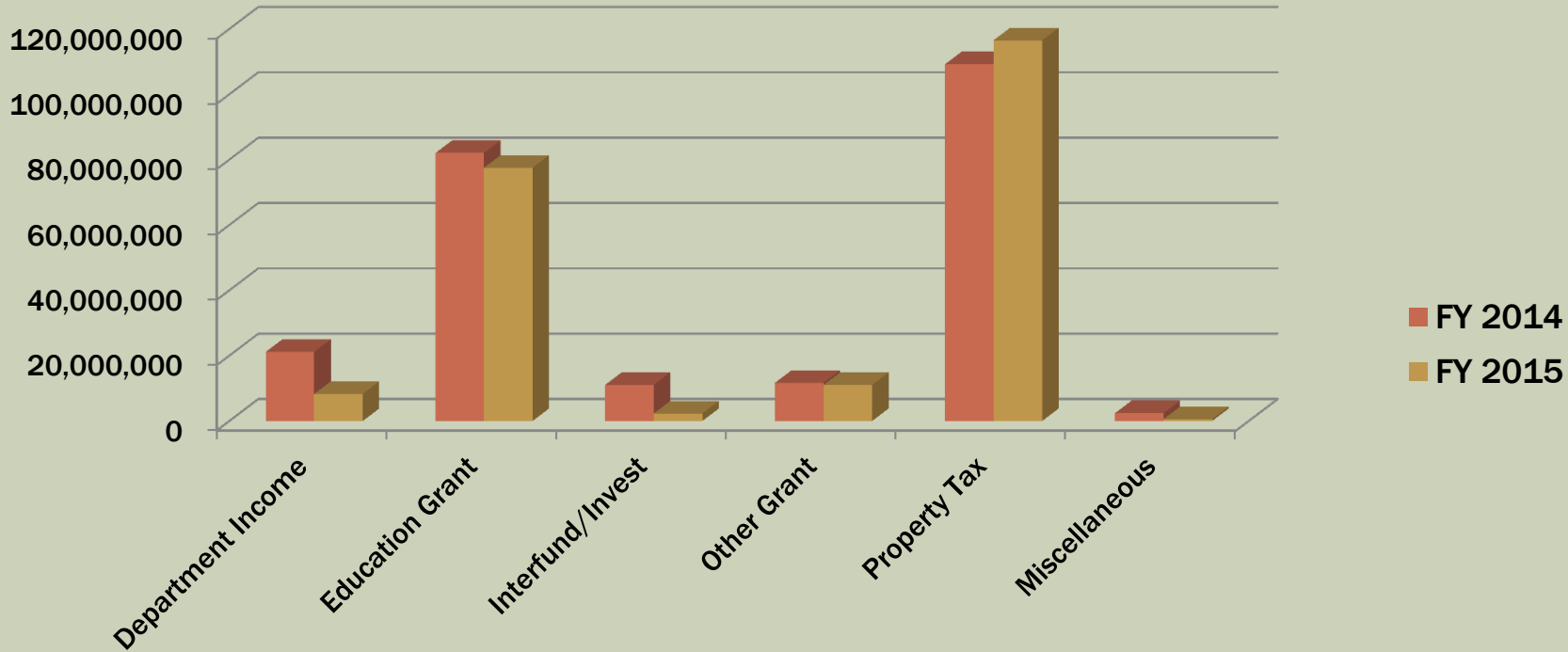
- Discontinue trash pickup
- Discontinue leaf pickup
- Eliminate Parks & Rec
- Eliminate Community Services division
- Close 2 fire stations/ reduce firefighter workforce
- Reduce police force
- Sell senior center
- Reduce government employees
- Sell water department
- Sell Stanley Golf Course
- Sell Fairview Cemetery

FY 2015 NEW BRITAIN CITY BUDGET REVENUE SOURCES

General Fund Revenue



CITY BUDGET (REVENUES) FY 2015 VS FY 2014



Note: FY 2014 Other Revenue estimates were higher and did not materialize

MILL RATE COMPUTATION

■ Total Common Council's Budget	\$ 216,290,616	
■ Revenue Other than (New) Taxation	\$ 102,526,210	
■ Required (Current Year) Tax Levy	\$ 113,764,406	
■ Grant List (October 2013)	\$2,416,046,539	
■ Estimated Tax Collection Rate		96.10%
■ Mill Rate increase needed to correct deficit		4.88



FISCAL YEAR COMPARISONS

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014*	FY 2015
Mill Rate	34.98	36.63	36.63	36.63	44.12*	49.00**
Fund Balance (in thousands)	\$9,027	\$12,047	\$12,200	\$12,595	n/a	n/a
General Operating Budget (in thousands)	\$202,475	\$205,741	\$226,794	\$227,706	\$237,549	\$216,291
Fund Balance % Of Operating Budget	4.45%	4.88%	5.8%	5.53%	n/a	n/a
Fund Balance policy (5%) met?	N	N	Y	Y	n/a	n/a
Annual Debt Service***	\$25,175	\$25,284	\$28,210	\$29,518	\$30,925	\$18,373
Cost (in mils) for Debt Service	9 mils	9.05 mils	10.07 mils	10.29 mils	13.21 mils	7.60 mils**



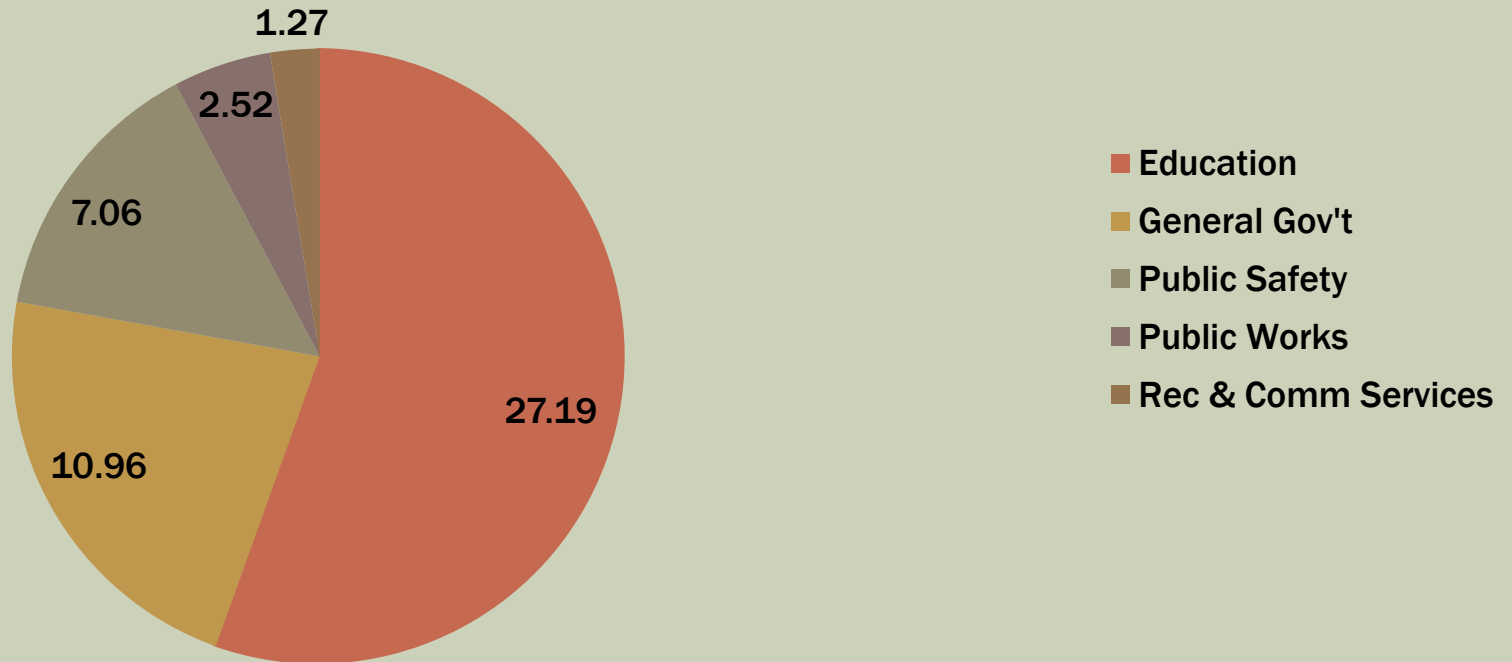
*Revaluation completed for Oct. 1, 2012 grand list

**Based on the October 2013 grand list of \$2,416,046,539

***In Millions

MILL RATE BY FUNCTION

**Mill Rate needed to Support Budget: 49.00
(By Function)**



SPECIAL REVENUE FUND HIGHLIGHTS

■ Sewer Fund

- Mattabasset Capital Improvement, cost passed down to us
- Charge salaries and benefits directly to Fund, \$1,461,200
- Reduction in Transfer to GF, \$1,862,385
- Net Savings in Fund, \$401,185

■ Medical Self Insurance Fund

- Estimates for FY 15 came in lower than originally estimated due to new claim trends.

■ Water Fund

- Charge salaries and benefits directly to fund, \$4,261,580
- Reduction in transfer to GF, \$5,662,433
- Net Savings in fund, \$1,400,853

SPECIAL REVENUE FUND HIGHLIGHTS (CON'T)

- **Stanley Golf Fund**
 - Charge salaries and benefits directly to fund, \$863,781
 - Reduction in transfer to GF, \$864,538
 - Net Savings in fund, \$757

- **Fairview Cemetery Fund**
 - Charge salaries and benefits directly to fund, \$357,768
 - Reduction in transfer to GF, \$414,566
 - Net Savings in fund, \$56,798

- **Worker's Compensation Fund**
 - No General Fund contribution to this fund for FY14 or FY15 due to reduced reserve (liability).
 - Corp Counsel implementing new process to reduce amount of \$ needed in this fund.

BONDING UPDATE

- Total Bond Debt 2014 \$193,803,819
 - Debt Limitation \$255,976,000; Difference \$62,172,181

- Total Bond Debt 2013 \$236,244,000
 - Debt Limitation \$255,976,000; Difference \$19,732,000

- Total Bond Debt 2012 \$194,644,000
 - Debt Limitation \$244,332,000; Difference \$49,688,000

- Total cost (in mills) of City's credit card debt as of June 2014 = **80.21 mills**

- If we issued a supplemental tax bill to pay that bond debt off?
You'd pay est. **\$3,230**

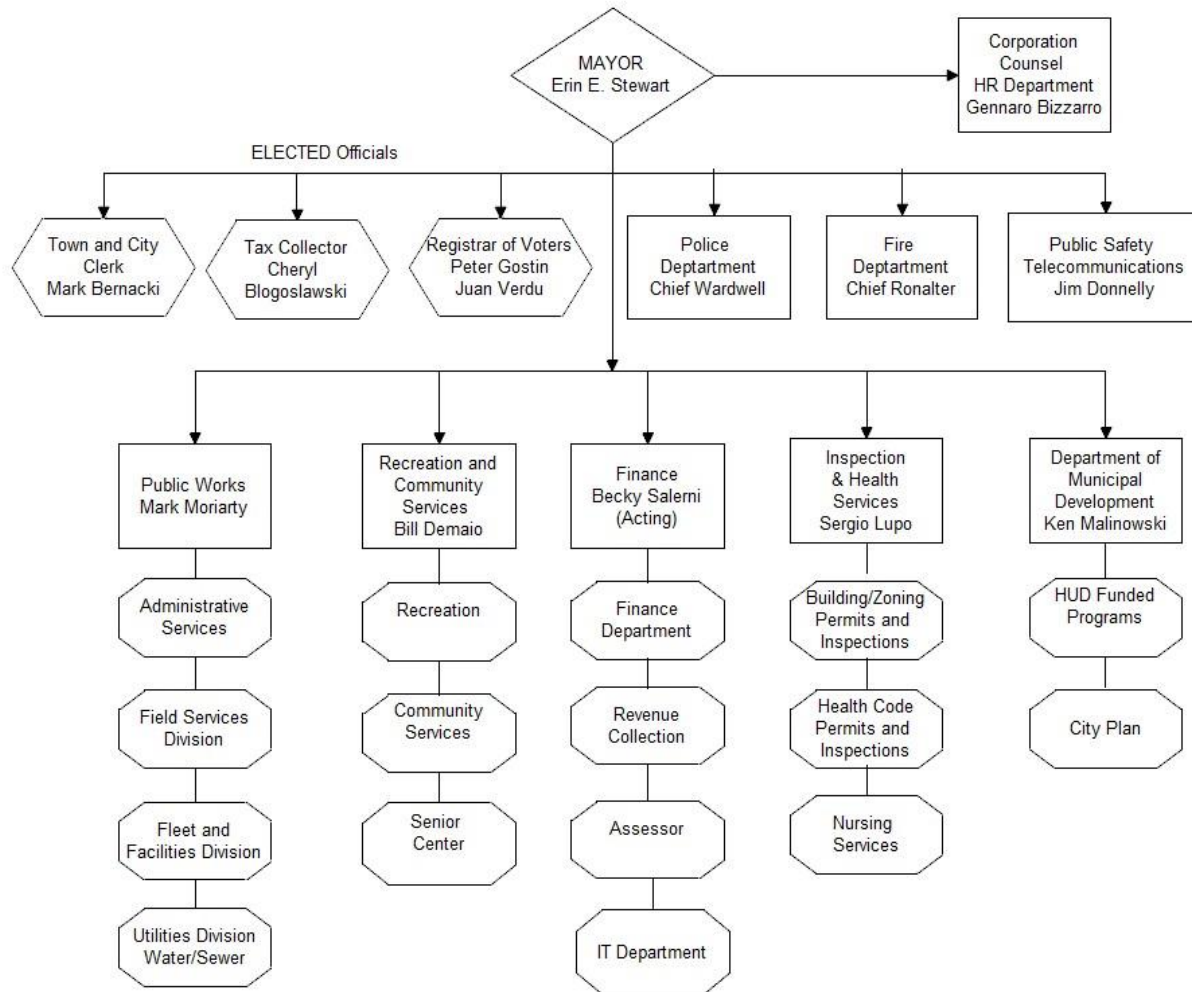


CAPITAL PROJECT UPDATE

- **March 12, 2014** the City rescinded or reduced funding for **12** approved capital projects resulting in a reduction of: **\$19,618,138**.
- **July 29, 2013** the City bonded **\$9,935,000** for the Board of Education for books and technology improvements. In addition, on **March 12, 2014** the City bonded **\$142,600** for Upgrades to Security Systems.
- **Housekeeping:** The City closed out many old projects and de-authorized **\$4,961,569** of outstanding bond authorization on **May 28, 2014**.

NEW CITY HALL STRUCTURE

City of New Britain Departments



WHAT DOES STABILITY & RESPONSIBILITY MEAN FOR US?

- This is a structurally balanced budget
- No hidden monies
- Gives us stability to strengthen our city
- Makes us a more attractive location for businesses
- Does not ignore the realities that we face

MOVING FORWARD

- Any budget is a working document
- This is all subject to change throughout the fiscal year
- Budgets are meant to be estimates based on prior year actual and coming year projections
- I am confident this is the start to...

STABILITY & RESPONSIBILITY



*Mayor
Erin E. Stewart*