

**NEW BRITAIN BOARD OF FINANCE AND TAXATION
PROPOSED BUDGET– FY 2012/2013**

To: Timothy E. O'Brien, Mayor
City of New Britain, Connecticut

From: New Britain Board of Finance and Taxation Commissioners:
Maria Agramonte-Gomez, Chair
Marlo Greponne, Vice-Chair
Marjorie Hackett-Wallace, Bonding Sub-Committee
Kevin Nodell, Bonding Sub-Committee
Fran Babij
Geraldine Brown-Springer
Jaclyn Falkowski

Finance Department:
Bob Curry, Director of Finance
Rebecca Salerni, Deputy Finance Director
Jonathan M. Perugini, Budget and Capital Projects Fiscal Officer

Date: March 26, 2012

I. Introduction:

In accordance with Article X of the City Charter, the Board of Finance and Taxation (the "BFT") submits the attached FY 2012/2013 Proposed Budget for your consideration. This recommended budget reflects an increase of 8.10% in General Fund expenditures over the FY 2011/2012 budget. This is down from the proposed FY 12-13 Department Request of a 10.96% increase over the FY 2011/2012 budget.

The Proposed Budget contains recommendations arrived at following months of careful and thorough consideration by the BFT. In developing a fiscal year 2013 spending plan recommendation, the BFT examined each and every departmental budget request line by line. In connection with this review, the BFT interviewed many department heads and, where applicable, requested additional information from various departments in order to obtain a better understanding for the reasoning behind a particular request. When necessary, the BFT sought guidance from appropriate legal and financial officials to ensure that its recommendations did not contradict certain contractual agreements or financial standards.

II. Summary:

As indicated above, the FY 2012/2013 General Fund expenditure budget recommendation represents an 8.10% increase from the current budget. General Government side expenditures have increased 10.64% from the current budget, while Board of Education expenditures have been increased by 5.84%.

The General Government increases are a result of the following. Major increases were Debt Service ~\$1.9M, Employee Benefits ~\$4.6M, and Admin & Contingency ~\$1.4M. The BFT opted not to reduce the Debt Service because the increase is primarily due to the March 2012 bond authorization for \$34,015,000. Also included in Debt Service is Water Fund Debt being taken over by the General Fund. The Water Department has prepaid approximately \$10.5 million of its 2005 Water Revenue bonds that were refunded in 2008 as General Obligation bonds under the City. The FY 13 portion of the Water Debt assumed is ~\$1,059,160. With Employee Benefits, the two biggest reasons for the increase are Medical Insurance and State MERF Employer Contributions. With Medical Insurance the Mayor and Finance are looking into the feasibility of switching from a self-insured plan to the State run fully-insured plan. As such, the BFT elected to defer this to the Mayor's proposed FY 13 budget. Currently in the FY 13 budget, the City's Medical Insurance Consultant advised the BFT that based on the number of contracts and historical trend data that the City's Medical Self Insurance rates are estimated to increase 9.5% for Medical with Anthem (self insured plan), 13.2% for Medical with Connecticare (fully insured plan), 8.6% for Prescription, and 4% Dental. In years past the City has been able to utilize Fund Balance in the Medical Self Insurance Fund but after years of using this to defray costs the City's Medical Self Insurance Reserves is actually in the negative balance based on FY 11 actuals so this trend can no longer continue. The total medical insurance increase is approximately \$4.3M. As for State MERF Employer Contributions, they have increased for the fourth straight year in a row. The General Government employee rates will increase 0.33% from 11.4% to 11.73% and the Police/Fire employee rates will increase 0.2% from 15.3% to 15.5%. The total City increase in its State MERF Employer Contribution is ~\$1M. The BFT also looked at the Admin and Contingency accounts in order to make any recommendations that they could but based on the numerous unsettled labor contracts and anticipated revenue shortfalls from the State budget, the Board was very limited in what they could cut.

Revenue projections for the City of New Britain have decreased this fiscal year. Due to the tough times and turbulent economy, the City is faced with dwindling revenues from outside sources. With bank interest rates still very low, State PILO payments still well below mandated levels of 100%, ARRA federal grant money fully expended, the elimination of the Manufacturing Machinery and Equipment PILO of at

least \$1,182,061 in FY 13 and each year going forward, the City is under increasing pressure to manage its expenses. The Governor's budget adjustment has not yet been adopted by the General Assembly so additional changes may occur.

The overall budget recommendation is summarized as follows:

	FY2011/2012 Budget	FY2012/2013 Board of Finance and Taxation	
Expenditures	Adopted	BFT Proposed	Variance
Board of Education	118,060,557	125,000,000	6,939,443
Other Education Costs	<u>1,132,456</u>	<u>1,159,076</u>	<u>26,620</u>
Sub-total	119,193,013	126,159,076	6,966,063
General Government	<u>105,335,211</u>	<u>116,545,950</u>	<u>11,210,739</u>
Total	224,258,224	242,705,026	18,176,802
Revenue			
Property Taxation	107,564,732	142,224,996	34,660,264
St. Education Grants	77,780,569	77,589,097	191,472
St. Grants All-Other	14,291,447	12,397,567	(1,893,880)
Departmental Income	9,486,126	8,535,814	(1,333,256)
All other Income	<u>15,405,351</u>	<u>1,957,552</u>	<u>(13,447,799)</u>
Total	224,528,225	242,705,026	18,176,801

Specific line-item recommendations are detailed on the attached Proposed Budget. Where applicable, the text following an adjustment contains comments that explain our rationale for recommending that particular change.

Our objective in developing a budget recommendation was to try to limit General Fund expenditures while preserving essential services. The BFT made every effort to recommend reduced spending while taking into account mandatory increases for non-discretionary budget components such as collectively bargained salary increases, overtime payments, and pension contributions.

In some areas, of course, the Proposed Budget will likely impact departmental staffing levels, which, in turn, may lead to reduced services. Faced with this reality, we encourage departmental officials to define core responsibilities within their respective departments and to seek ways in which to maximize every dollar allocated.

With respect to education, the BFT recommends an increase of \$6,939,443 over last year's Board of Education budget of \$118,060,557. The BFT felt it was appropriate to grant them this increase over the minimum budget requirement (MBR) set by the State Department of Education. The reasoning behind this is that the Board of Education has been flat-funded for over four years now and the BFT wanted to increase their City appropriation accordingly. Since the BFT was funding contractual increases on the City's side, it was only fair that they do the same for the Board of Education. Although we recognize that this amount is substantially less than that which was requested, it is nevertheless a significant increase in terms of actual dollars. We remain confident that the Board of Education will make the most of these additional funds for the benefit of the City's students.

III. Recommendations:

The BFT would like to make recommendations that were not used in creating their FY 12-13 budget.

- The BFT recommends departments look into the possibility of updating and revising fee schedules that are old and outdated. Certain department fee schedules like the Senior Center have not been updated since 1999. Others like the Assessor's and Police Department have not been updated since March 1, 1991. By updating their charges for services, departments can come closer to being self-sustaining entities and alleviate the burden that the revenue shortfalls create on the City's taxpayers.
- The BFT repeats their recommendation from last year that the City looks into the feasibility of having the Health Department performing all the City-wide employee physicals. This could have significant cost-saving ramifications for the City since it would no longer have to utilize a third-party vendor to perform this service. The Health Department even made mention at their BFT meeting that with additional resources and the appropriate equipment they would consider providing this service.
- The BFT recommends the City switch from weekly to bi-weekly payroll as well as continue to strongly encourage direct deposit in a positive light. This would save thousands of dollars on check stock, MICR ink, stop payments on lost checks, voided checks that needed to be reissued, etc. Additionally it would bring the cities payroll practices more in line with what is common in other municipalities as well as the private sector.
- The BFT strongly recommends the Mayor and Common Council consider consolidating Departments that have similar functions, such as Property Management and Public Works or Human Rights and Opportunities with Civil Service. These consolidations would allow for a decrease in administrative costs as well as allow greater focus on core efficiencies and potentially a reduction in the workforce. The BFT feels this is an appropriate action with the goal of reducing overhead expenses.

- The BFT would like to consider a new line item for Recreation Program food costs under the expenditure side of the General Fund Budget. They wanted to quantify how much of the Recreation budget went to food and how much actually went to direct services such as activities and programs.
- The BFT is aware that in the past the Tax Department has used the assistance of a Sherriff/State Marshall in the collection of delinquent Personal Property Taxes. The BFT believes that this service would be a great benefit in increasing the property tax collection rate higher than 95.88%. Therefore, the Board is recommending that the Tax Department re-instate the assistance of the State Marshall.

IV. Conclusion:

In a year where increases in contractual obligations and underfunded state mandates have forced general government costs to spiral upward, the BFT herewith recommends a FY 2012/2013 Proposed Budget which increases General Fund spending over the current budget. Unfortunately, the City of New Britain continues to struggle with the problem of stagnant revenues and unfunded/partially funded mandates, which are beyond the control of this Commission. Local property owners bear the burden of covering shortfalls in funding for state mandates such as special education and certain tax relief programs.

The BFT and its Commissioners wish to thank all of the many department heads and personnel who were asked to attend meetings, provide information, or otherwise assist us in preparing this year's budget. We wish to recognize and thank the Finance Department staff for their countless hours of hard work in helping us craft this Proposed Budget. We would also like to thank the Mayor's Office for their cooperation and assistance in obtaining requested information.



Marlo Greponne
Vice-Chairwoman
Board of Finance & Taxation