

TO: Town Council

FROM: Finance & Budget Committee

DATE: April 20, 2009

SUBJECT: Recommended Changes to the Town Manager's Proposed Budget for FY 2010

Outlined below are recommended changes and the resulting impact of these changes on the Town Manager's proposed budget for FY 2010 for consideration at our meeting on Thursday, April 23, 2009. This budget:

- ✓ Reduces spending for the school, town and capital budgets
- ✓ Requires existing taxpayers to pay 1.5% more in property taxes

1. Town Manager's Proposed Budget

The budget proposed by the Town Manager on March 10, 2009 totaled \$216,674,205 and included the Superintendent of School's recommended budget to the Board of Education. The proposed town budget decreased by \$49,286 from the current fiscal year budget and the capital financing budget declined as well by \$3,814. The recommended school budget increased by \$3,543,300 or 2.9% for a total net budget increase of \$3,490,200. The recommended budget reflected a loss of \$5,984,747 in revenues. The spending increase and the loss of revenues required a \$9,474,947 increase in the current year property tax levy (5.3%). A 1% change in the property tax levy requires budget adjustments of \$1,774,042.

2. Board of Education Adopted Budget

It is assumed that the Board of Education will adopt a budget tomorrow night for FY 2010 with a slight decrease in spending from the current fiscal year. The elimination of the proposed budget increase for the school budget will reduce the increase in the required property tax levy by \$3,547,117. The increase in the property tax levy would be reduced from 5.3% to 3.3% for FY 2010.

3. Town Union Concessions

The Town Manager's proposed FY 2010 budget reflected \$1,200,000 in wage concessions or employment reductions from the Town's unions. Since it was unknown at the time of submitting the proposed budget how this \$1.2 million in savings would be achieved, it was reflected as a negative adjustment in the proposed budget. In adopting the proposed budget for FY 2010, this adjustment must now be reflected in individual departmental line items to produce a balanced budget for FY 2010. Since tentative agreements with most of the bargaining units on a wage freeze for FY 2010 have been reached, revisions to the proposed budget are being made to reflect this wage freeze within individual departmental line items.

The following is a summary of the concessions by union that will be reflected in individual line items in the Town Council's adopted budget:

<u>Union</u>	<u>Amount of Concessions</u>
Fire	\$253,033
Police	\$329,316
SEIU	\$359,131
AFSCME	\$ 55,073
Social Security	<u>\$ 40,131</u>
TOTAL	\$1,036,684

After union concessions are factored into the FY 2010 budget, there remains \$163,316 in adjustments required to achieve the proposed budget assumption of \$1,200,000. Two additional adjustments are recommended to achieve the \$1.2 million adjustment:

- Incorporate the hiring freeze policy option outlined in the Town Manager's proposed budget (\$100,000). This adjustment to salary accounts reflects the continuation of the existing hiring freeze through FY 2010.
- Since the proposed budget was submitted, one full-time employee in the Zoning Office has filed for retirement. Not filling this position will save \$63,316 in the adopted FY 2010 budget.

4. Additional Adjustments

A total of \$900,000 in adjustments is required to reduce the increase in the current year property tax levy from 3.3% to 2.8%. The following is a list of adjustments to achieve the \$900,000.

- Increase revenue from operating transfers in by \$29,600 to reflect one-half of a building inspector position that has been allocated to the capital projects activity and eligible for reimbursement from the Capital Projects Fund.
- Reduce membership in the Capital Region Council of Governments by \$1,000 reflecting their revised budget for FY 2010 which eliminated any increase.
- Reduce the risk management budget by \$10,000 reflecting the reduction of 30 vehicles from the inventory of rolling stock and resulting savings on the insured and self-insured programs.
- A review of the contribution to the retiree health care reserve fund for FY 2010 indicated that the budgeted contribution by the Town and the Public Schools was \$357,500 higher than the amount anticipated in the long term funding plan for the reserve in FY 2010. Appropriating an amount consistent with the long-term plan would reduce the Town budget by \$127,500 for FY 2010.
- Implement the Fire inspection services fee proposal outlined in the budget options section of the Town Manager's proposed budget. This would reflect a partial year of revenues under the program for the first year of \$225,000 partially offset by an additional \$25,000 in temporary payroll and operating expenses to administer the program.
- Reduce the revaluation litigation account by \$25,000 reflecting the reduced number of tax appeals that have been filed this year.
- Reduce utility expenses by \$100,000 reflecting additional facilities switched to the new TransCanada contract for electricity and projected reduced consumption.
- Increase the assumption on property tax collections from 98.8% to 98.85% based on current year collections experience generating an additional \$90,000 in revenue.
- Reduce the debt service appropriation by \$60,000 reflecting an interest rate assumption on the July bond sale of 4% rather than 4.8% based upon existing interest rates and our borrowing experience.
- Reduce the cost of living assumption for the refuse and recycling contract from 3% to 1.75% reflecting current CPI data (\$30,000).
- Reduce the assumption regarding the paramedic contract cost and contract performance penalties (\$26,900).
- Eliminating free parking on Sundays in the surface lots in the Town Center generates additional revenue of \$106,000 in the Parking Lot Fund to be used to fund eligible expenses currently being financed by the General Fund.
- Eliminating free refuse and recycling collection for religious and non-profit schools and organizations reduces contractor collection and disposal costs by \$94,000.

5. Summary of Adopted Budget

REVENUES

- Non-property tax revenues are projected to decline by \$5,640,147 (16%) in FY2010. This decline is primarily due to the recession and includes a reduction in state revenue, interest income, building permits, conveyance taxes, fund balance, sale of assets and transfers from other funds.

	<u>FY 2009</u>	<u>FY 2010</u>	<u>Reduction</u>
State Revenue	\$21,437,663	\$20,169,649	(\$1,268,014)
Building Permits	1,575,000	800,000	(775,000)
CRRA Settlement Revenue	400,000	300,000	(100,000)
Interest Income	2,370,000	1,500,000	(870,000)
Sale of Assets	679,000	0	(679,000)
Use of Fund Balance	781,185	0	(781,185)
Premium from Bond Sale	192,200	0	(192,200)
Transfer from CNRE Fund	670,000	0	(670,000)
Real Estate Transaction Fees	1,300,000	1,105,000	(195,000)
Motor Vehicle Supplement Tax	1,700,000	1,550,000	(150,000)
Recycling Rebate	70,000	0	(70,000)
Parking Violations	425,000	360,000	(65,000)
<u>Other Non-Tax Revenue</u>	<u>4,179,741</u>	<u>4,354,993</u>	<u>175,252</u>
TOTAL	\$35,779,789	\$30,139,642	(\$5,640,147)

EXPENDITURES

- Expenditures for the town, school and capital budgets all reflect a decrease in spending from the budget for the current fiscal year. Total spending is down \$612,317.

Adopted Budget Summary

	<u>FY 2009</u>	<u>FY 2010</u>	<u>Increase/</u>	<u>Percent</u>
	<u>Adopted</u>	<u>Adopted</u>	<u>(Decrease)</u>	<u>Change</u>
Town	\$ 73,828,887	\$ 73,284,201	\$ (544,686)	-0.7%
Schools	\$123,310,140	\$123,306,323	\$ (3,817)	-0.0%
Capital Financing	<u>\$ 16,044,978</u>	<u>\$ 15,981,164</u>	<u>\$ (63,814)</u>	<u>-0.4%</u>
Total Expenditures	\$213,184,005	\$212,571,688	\$ (612,317)	-0.3%

- The capital budget has been cut by \$14.1 million in FY 2010 and \$11.3 million in FY 2011.

TAXES

- The significant reduction in non-property tax revenue results in a need to increase property taxes by \$5.0 million or 2.8%, despite the significant reduction in expenditures.
- The FY2010 grand list, the town's tax base, has increased by \$70 million due to commercial and residential expansion. This growth will generate an additional \$2.4 million of the \$5.0 million needed.
- The existing tax base, current taxpayers, would be required to pay 1.5% more in property tax revenues next year as a result of this adopted budget.
- The continued phase-in of the state mandated property revaluation will result in taxpayers having property tax adjustments above and below 1.5%. Without the mandated revaluation phase-in every taxpayer would have experienced a 1.5% tax increase.

6. Adopted Budget Reflects Public Expectations

- We began to identify means to reduce spending in both the FY2009 and FY2010 budgets as early as August, 2008 in an effort to respond to the rapidly changing economic conditions. By the end of the first quarter of the fiscal year the budget for FY2009 was projected to be in deficit by \$1.8 million.
- We implemented a hiring freeze, a travel restriction, and restriction on nonessential spending and eliminated 15 full-time positions.
- We scrutinized all spending and appropriation requests to evaluate the need.
- The projected \$1.8 million projected deficit was reduced to zero.
- Nonunion employees' and part time workers' pay was frozen.
- Negotiations with town's unions resulted in tentative union concessions for a wage freeze or deferral.
- We substantially reduced capital budget for FY2009, FY2010 and FY2011, once in the fall and again with the proposed budget. Investments that reduced operating costs were given priority.
- We worked to preserve those services which enhance property value and attract residents to the community.

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