

Where We Ended Up with the Budget

The 2013 budget season is officially over, except in the unlikely event that someone can, within the next two weeks, collect signatures from at least 5% (~1,850) of all Fairfield voters (~37,000) who support a referendum to challenge one or more line items in the budget.

As you probably know, the original budget proposed by First Selectman Tetreau on February 19th would have resulted in a Fiscal 2014 tax increase of **6.4%**.

The budget approved by the RTM on Monday night will require a much lower tax increase of **2.4%**.

At \$278.5 million, total spending will rise over \$6 million, or 2.3%, with BOE spending up 1.5% to \$151 million, Town spending (Police, Fire, DPW, etc.) up 3.3% to \$100.7 million, and Debt Service (much of which is related to school construction and renovations) up 2.7% to almost \$27 million.

As you can see in the table below, getting the tax increase down required **\$8.84 million** in cuts and **\$1.4 million** in higher non-tax revenue, for a total of **\$10.3 million**.

	Actual FY 2013	Proposed FY 2014	Change	Percent Change	BOS Changes	BOF Changes	RTM Appeals	RTM Changes	Total Changes	Final	Change	% Change
BOE Benefits	\$20.83	\$25.65	\$4.82	23.1%	\$(1.80)	\$(0.50)	~	\$(0.25)	\$(2.55)	\$23.10	\$2.27	10.9%
BOE Other	128.11	129.08	0.97	0.8%	~	(0.75)	~	(0.25)	(1.00)	128.08	(0.03)	0.0%
Total BOE	\$148.94	154.73	\$5.79	3.9%	\$(1.80)	\$(1.25)	~	\$(0.50)	\$(3.55)	\$151.19	\$2.25	1.5%
Debt Service	\$25.90	\$27.59	\$1.68	6.5%	\$(0.50)	~	~	\$(0.50)	\$(1.00)	\$26.59	\$0.69	2.7%
Town Retiree Benefits	\$11.85	\$15.23	\$3.38	28.5%	\$(0.13)	~	~	~	\$(0.13)	\$15.10	\$3.25	27.4%
Town Contingency	0.24	2.56	2.32	967%	(0.11)	~	~	\$(0.25)	(0.36)	2.20	1.96	821%
Town Paving	2.50	3.50	1.00	40.0%	(0.50)	~	~	(0.25)	(0.75)	2.75	0.25	10.0%
Town Prof. Fees & Serv.	4.97	5.50	0.53	10.7%	(0.13)	(0.15)	~	~	(0.28)	5.21	0.24	4.8%
Town Workers Comp.	2.55	2.90	0.35	13.7%	~	~	~	~	~	2.90	0.35	13.7%
Town Cont. to Surplus	0.50	0.93	0.43	86.0%	(0.25)	~	~	~	(0.25)	0.68	0.18	35.0%
Town Risk Reserve	2.00	0.00	(2.00)	(100)%	~	~	~	~	~	0.00	(2.00)	(100)%
Pequot Library	0.35	0.35	0.00	0.0%	~	(0.35)	0.35	~	~	0.35	0.0	0.0%
Town Other	72.48	74.02	1.54	2.1%	(1.45)	(0.91)	~	(0.17)	(2.53)	71.50	(0.98)	(1.4)%
Total Town	\$97.44	\$104.99	\$7.55	7.7%	\$(2.57)	\$(1.41)	\$0.35	\$(0.67)	\$(4.30)	\$100.69	\$3.25	3.3%
Total Budget	\$272.28	\$287.31	\$15.03	5.5%	\$(4.87)	\$(2.66)	\$0.35	\$(1.67)	\$(8.84)	\$278.47	\$6.19	2.3%
Plus Senior Tax Relief	\$(3.77)	\$(4.55)	\$(0.78)	20.7%	~	~	~	~	~	\$(4.55)	\$0.78	20.7%
Minus Non-Tax Revenues	22.80	22.88	0.08	0.4%	~	(0.17)	~	~	(0.17)	22.71	(0.09)	(0.4)%
Minus Prior-Yr. Inter. Lien	2.83	2.83	0.00	0.0%	~	~	~	~	~	2.83	0.0	0.0%
Reserve for Overpayments	(0.87)	(2.24)	1.37	157%	~	0.71	~	~	0.71	(1.53)	0.66	75.9%
Plus Uncoll. Tax Reserve	(3.90)	(4.04)	0.14	3.6%	~	0.91	~	~	0.91	(3.13)	(0.77)	(19.7)%
Subtotal	\$17.08	\$14.87	\$(2.21)	(12.9)%	~	\$1.43	~	~	\$1.43	\$16.33	(0.75)	(4.4)%
Gross Tax Levy	\$255.20	\$272.44	\$17.24	6.8%	~	~	~	~	~	\$262.14	\$6.94	2.7%
Grand List	\$10,920.0	\$10,958.9	\$38.9	0.4%	~	~	~	~	~	\$10,956.7	\$36.7	0.3%
Mill (Tax) Rate	23.37	24.86	~	6.4%	~	~	~	~	~	23.93	~	2.4%

The biggest contributions came from the following sources:

- **\$2.7m** in assumed lower benefit costs, most of this (\$2.55m) at the Board of Education (BOE). Included in this number is \$500k of the \$1.25m cut that the BOF made in the BOE budget, plus

\$250k of the \$500k cut that the RTM made in the BOE budget, though it is not yet certain that benefit costs will in fact come in \$750k lower. Virtually all of the lower benefit costs are coming from either better healthcare claims experience (which may or may not continue) in the months after the First Selectman's budget was submitted, or from expected lower healthcare insurance administrative charges from the town's insurance carrier (currently Anthem) as a result of a recent RFP process.

- **\$1.5m** in cuts were made by the Board of Selectmen (BOS) in a number of town departments, like police, fire and public works (not including a \$500k cut in paving which is a separate line item in the table).
- **\$1.4m** came from an increase in estimated net non-tax revenues, most of this from a \$1.6m reduction in the reserves for uncollected taxes and overpayments, which were originally up \$1.5m and ended up down slightly (\$0.1m).
- **\$1.0m** came from reductions in debt service costs as a result of allocating to FY 14 a portion of the bond premium obtained by the town on recent financings.
- **\$1.0m** came from cuts in non-benefit spending in the BOE budget, as a consequence of which non-benefit spending in FY 14 will be essentially flat. The BOE and the Superintendent of Schools must now decide how best to absorb this \$1m (or 0.8%) reduction from what their original budget anticipated spending on non-benefit costs.
- **\$900k** in cuts to various town departments by the BOF.
- **\$750k** was cut from the Paving budget, \$500k by the BOS and another \$250k by the RTM. There is money in the paving account from the FY 13 budget that has not been spent, and additional funds may come from FEMA reimbursements for damage caused by Hurricane Sandy.
- **\$360k** was cut from the Contingency Reserve, \$112k by the BOS and another \$250k by the RTM. This is a different reserve than the Rainy Day fund, and is used, for example, to anticipate retroactive wage increases in labor contracts that have not yet been settled. Recent settlements have been made with lower retroactive increases than was originally expected.
- **\$283k** was cut from Professional Fees & Services by the BOS and the BOF.
- **\$250k** was cut by the BOS from the contribution to Surplus, which is simply a "rainy day" fund that the town is supposed to maintain. This fund is currently ~5% of the budget, and the rating agencies are encouraging the town to raise it over time to 10%.
- **\$172k** was cut from the "Town Other" line item by the RTM to reflect savings in fuel costs under a new contract that was negotiated late in the budget process.

The items in underlined Italics above are deemed to be changes in assumptions and estimates rather than real cuts (though, admittedly, one could argue either way on "paving" and "professional fees & services"). These items total \$6.9m and thus represent 67% of the "work" (\$10.3m) that was done to reduce the tax increase. The other \$3.4m, or 33%, are real cuts, though in some cases probably from levels that were never expected to be approved.

As noted above, the Town budget is still up \$3.25m or 3.3% to \$100.7m, but if you remove all special items shown in the table, the so-called "Town-Other" line is actually down 1.4%. The two items most responsible for driving up the total Town budget are Retiree Benefits (up \$3.25m) and the Contingency account (up \$2.0m).