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Town Manager

TOWN OF NEWINGTON

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OFFICE OF THE TOWN MANAGER

March 5, 2010

Honorable Mayor and Members of the Newington Town Council:

On behalf of the Town of Newington, I present the Town Manager's Proposed Fiscal Year 2010-11 budget for General Government operations and the Board of Education.

Budget Overview

It's been about fifteen months since the nation started to experience the results of the crisis in housing and the subsequent effects on the economy of double digit job loss. In CT, the unemployment rate is slightly below the national average, but still large by historic standards. More importantly, the State of Connecticut is experiencing severe fiscal trauma. Income tax and sales tax revenue for the State have been and continue to be well below historic highs and there is some doubt as to when they will recover sufficiently to provide the revenue necessary to support the present expenditure level.

Although the Town of Newington has not experienced the revenue decreases through the housing crisis and to a large extent the citizens of Newington continue to pay their tax obligations on a timely basis, there are some troubling indicators. State aid has been reduced approximately 2% or \$290,000. The Town has absorbed this reduction and is hopeful that the remainder of the State aid, detailed in the Governor's proposed fiscal year 2010-11 budget, remains. What is troubling to the Town of Newington is that the State of Connecticut has not at this point addressed its long-term revenue and expenditure situation. The Town of Newington is reliant on State aid to fund a significant portion of the education budget. Almost \$16 million is received from the State for aid, and the majority of these funds are allocated to the education component. It is possible that reductions in State aid may surface by the time the legislature completes its budget deliberations well after the Town finalizes its budget for FY 2010-11. A reduction in State aid of approximately 10% would mean a reduction in revenue of approximately \$1.6 million. This would be equal to a half-mill increase to taxes or cuts in expenditures. Such a reduction would have a significant impact on the Town's ability to provide services and educate its children. We will have to monitor the State situation closely for indications of our funding sources for next year and the following year. The Town, through conservative fiscal management, has some fiscal reserves to absorb some decreases in the future, but they would not be sufficient if the reductions are significant and permanent.

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In the following pages, the details of the proposed expenditures and revenue projections will be discussed. I am proposing an increase in expenditures of \$2,602,062, or 2.8%. The General Government operations would increase 1.0% or \$281,625 and the Board of Education operations would increase 3.0% or \$1,726,449. The remainder of the changes are for debt services, capital improvements, and the Metropolitan District Commission. The most notable adjustments within the operating departments include:

- The Town's fuel cost is increasing. In 2009-10 the Town had locked in prices with its vendors. These "locked in prices" will expire in fiscal year 2011, thus increasing all fuel accounts substantially.
- Certain layoffs and reductions of services within the Building Department, Library and Senior Center will occur during the proposed fiscal year 2010-11 budget.

As detailed below, the major budget adjustments are an increase in Metropolitan District (MDC) assessments and employee benefits, most notably the Town pension component. One area of budget highlight which reversed last year's trend is in the cost of health benefits for the Town. The Town's (not including Board of Education) health benefits cost is projected to decrease about 1.5% or \$38,000. I believe that we can attribute this decrease in the Town's changes to employee benefit policies and the availability of insurance for some post retirement benefits.

Personnel

At this point in the budget process, no salary increases have been included in the Contingency for Town Government employees, including employees in the Police Department covered under IBPO Local 443 (Police Union). Presently, I am in formal negotiations with the AFSCME Union and IBPO Union and am hopeful for either small or no increases for fiscal year 2010-11. I appreciate that the AFSCME Union agreed to forgo raises last year in return for the promise of no layoffs, however, I have proposed some reductions of personnel and cannot offer that assurance this year. These will be difficult negotiations but it is not likely that I will have a contract settlement with either union prior to completion of the budget on March 5, 2010.

Facilities Management

I have made some significant changes. I am proposing that we add \$24,000 for a cleaning service to maintain the Senior and Disabled Center. This contractual arrangement will be similar to the two that already exist for the cleaning of the Library and Police Headquarters. A reduction will occur in personnel for the Senior and Disabled Center, which will be further discussed under the Senior and Disabled Center budget. In addition, I am transferring \$25,600 from the Building Official Personnel account to assist the Facilities Manager in monitoring and supervising various building projects that will occur in fiscal year 2011. These include such major projects such as the Library heating and ventilation system replacement through the Energy Efficiency and Conservation Block Grant, the proposed construction and maintenance of the new heating system in the Senior and Disabled Center, and the continuation of various improvements to the Town Hall. This part time assistance will enable the Facilities Manager to be on site more often on the various important projects.

Public Safety (Police and Fire)

As stated in the introductory portion of this letter, I have not included raises to the IBPO. In addition, the Town has a relatively young Police Department membership, and many of the officers have step increases contemplated for fiscal year 2010-11. At this point in the budget process I have not included those step increases in the police budget. This would be consistent with last year's budget where very few step increases were approved. The Police Department also requested additional staff. This year I have rejected requests for additional staff and the overtime will probably stabilize as a result of the denial of increased personnel. The Police Department overtime account has made significant reductions over the last three years as the Town has increased personnel by six officers. I am proposing to fund three additional police cruisers in the fiscal year 2010-11 budget, but I am recommending the reuse of accessory equipment for police cruisers and no purchase of additional light bars.

The Newington Volunteer Fire Department has requested significant increases which is a reflection of their successful drive to increase membership. The volunteer ranks have increased substantially, and because of that there is an increased demand for new uniforms and other equipment. I have granted substantial increases in the areas of technical equipment, uniforms, some building improvements and facilities maintenance, but I have reduced the amount by about 50% of the request.

Public Works

In Public Works we have some significant reductions due to management decisions during the year. We have reduced the enhanced salt purchase by about \$14,000. With installation of the automated controllers for the application of salt on the highways and better experience in using the new material, less product will be necessary. This line item, however, is always contingent on a normal snow season, and any deviation above normal might require additional expenses.

In refuse disposal, there has been a significant decrease of \$119,000. At this point in the budget process, there is a \$69 tipping fee and use of the \$60,000 credit that the Town elected to receive in this fiscal year due to a reduction in tipping fees last year. This decision has been prudent in that it reduces the net tipping fee to around \$63.00. We have also assumed 1000 fewer tons of solid waste to be collected with the implementation of the single-stream recycling program. We will monitor this tonnage level and are cautiously optimistic that it might be higher if the education program is successful and the citizens comply with the recycling requirements.

Building Department

This Department has been significantly impacted by the slowing of the economy. There is contemplated to be very little commercial and residential development in the following year. This will warrant fewer inspections in the field and thus the Building Official's staffing can be reduced to appropriately reflect these reductions. I unfortunately had to reduce the hours of one of the Building Officials to a part-time, two day per week function. In addition, I have reduced an additional Building Official by one day per week and have assigned that aspect of his time to Facilities Management to increase the coverage for the Facilities building program. This will allow us to manage the internal construction programs for the Town as well as maintain a Building Official's hours so that when commercial and residential development resumes we will have available said official. This will result in about a \$60,000 reduction in personnel costs.

Senior and Disabled Center

As I had previously mentioned in the Facilities Maintenance budget, I have reduced a position in the Senior and Disabled Center. One Custodian in the Center will be laid off and a contractual service will begin the cleaning of that building.

Library

The Library will eliminate Sunday hours for the entire year and not be open on eight Saturdays during the summer. All other hours will be maintained, including being open until 9:00 p.m. Monday – Thursday, 5:00 p.m on Friday, 5:00 p.m. on Saturday during non-summer seasons.

Parks and Recreation/Parks and Grounds

In the Parks and Recreation department there is a shifting of a part-time position from the Recreation Special Revenue Fund to department's operating budget thereby reducing the subsidy by \$19,000. In addition, I rejected a request for additional park maintenance staff.

Medical Insurance/Pension

The good news is that the Town's medical insurance benefit will be reduced slightly in FY 2010-11. As I previously stated, this is a result of good claims experience this year, which was a result of a modification of employee benefits and an addition of less availability of post-retirement benefits. This decrease is offset dramatically by an increase of \$400,000 in the Employee Pension Fund. This pension fund is funded through an actuarial evaluation yearly. As you know, much of the pension fund costs are offset by investment proceeds, and when investments are not positive (reflecting the drop in equities last year) the Town must fund the difference. Our pension fund is still sound, and this actuarial year has recouped some losses from the previous investment year.

Capital Improvement Program (CIP)

To address the capital needs of the Town, the Town Council established a Capital Improvement Program Committee that provided a framework for planning, scheduling and financing the Town's multi- year Capital Improvement Plan. The Committee is composed of three Town Council and two Board of Education members, with the assistance of Town and Board of Education staff. The funding level is \$3.9 million, which together with the fixed debt service equals approximately \$6.3 million in funding the following projects recommended by the Committee. I have not included the legally and fiscally mandated appropriations. These projects are in order of priority.

- John Wallace Middle School Roof Replacement: \$600,000. This would replace a major portion of the John Wallace roof. This roof section is in poor condition and results in numerous leaks into the building.
- Newington High School Gym Floor: \$100,000. This will complete the replacement of the gym floor project.

- Newington High School Code Compliance: \$1 million. This will provide further funding to the Board of Education's various code compliance projects. This funding will bring the project to an approximately 50% of completion. There will be approximately \$500,000 of building grant revenue for code compliance projects.
- Fenn Road Access Road: \$450,000. This is the Town's share to build an access road from Fenn Road through and including the Town's property on Cedar Street. This property (commonly known as the National Welding property) will be a vital link to market the project and help complete the private funding for development of this area. Potential private development could be in excess of \$30 million of investment, which could yield approximately \$600,000 of additional revenue.
- Road Reconstruction and Resurfacing: \$300,000. This funding will supplement State funding of approximately \$400,000 for a total of \$700,000 to be available for reconstruction and resurfacing various streets throughout the Town.
- Library Expansion/Town Site Planning: \$45,000. This appropriation will be used to study the long range layout for the Town Hall and Library. Presently, the Library is exploring options for expansion and the manner in which the Library is situated on the Town campus could significantly alter the traffic patterns of the upper parking area. This study should be a blueprint for any expansion or renovation of the Town Hall/Library complex.
- Town Hall Lower Level Improvements: \$86,150. This will complete some of the lower level project costs in the Town Hall. Ultimately, the rest of the Town Hall will need to be renovated. Although the Town Hall is kept neat and clean and appears structurally sound I would liken the Town Hall to a human who has arterial sclerosis – the heart is sound (the furnace, having been replaced in 2008), but the arteries (the heating distribution system, ductwork, controls, etc.) are not functioning and need to be replaced. This will necessitate a multi-million dollar effort on the Town's part at some point. In addition, many of the roofs have failed and the Mortensen Gymnasium continually leaks and is difficult to maintain.
- Information Technology Reserve: \$336,250. The Town continues to maintain its vital information technology. Much of these funds are for software replacement and replacement for units involved in public safety.
- General Property Improvements: \$40,000. This will fund major repairs and replacements to various Town building sites.
- Public Building Resurfacing Program: \$100,000. This amount will begin a multi-year approach to address the many requests for resurfacing paved areas at Town-owned facilities.
- Senior and Disabled Center HVAC Replacement: \$87,000. This amount will begin a phase-in approach to replace heating, ventilation and air conditioning units throughout the Senior and Disabled Center.
- Market Square Improvements: \$350,000. This amount will supplement the STEAP Grant to improve this downtown area.
- Constitution Square/Downtown: \$225,250. This funding will complete the second phase of the parking lot reconstruction project.

Metropolitan District Commission (MDC) and Connecticut Resources Recovery Authority (CRRA)

The Town of Newington is a member of two regional authorities that provide key services to their member towns. The Metropolitan District Commission (MDC) is the provider of water and waste water (sewer) services to the Town of Newington and seven other regional entities. The proposed MDC funding allocation for FY 2010-11 is \$2,646,308, or a 2.1% increase.

The Town is also a member of the regional 68 member Connecticut Resources Recovery Authority (CRRA) which handles disposal of solid and bulky waste for its members. By 2012, the Town must make a decision whether to continue with CRRA or look for an alternative source for disposal of its municipal solid waste. Area Towns have begun this process which will be a long and detailed study of the options

Debt Service

A slight decrease in the Town's principal and interest debt service of approximately \$70,000 is being recognized in FY 2010-11.

Board of Education

The Board of Education's requested FY 2010-11 budget was \$59,627,108, or a 3.61% increase. I have recommended an increase of \$1,726,449, a 3.0% increase in the Board of Education budget. This increase, combined with the Town's increase of 1.2%, yields a tax increase of 3%.

	FY 2009-10	FY 2010-11	\$ Change	% Change
Board of Education	57,548,306	59,274,755	1,726,449	3.0

Revenues

As previously noted, the fiscal year 2010-11 proposed budget includes a decrease in the amount of State aid. The Town needs to monitor these levels closely as the fiscal year progresses.

The revenues to finance the proposed FY 2010-11 budget come from the following sources:

Type	\$	%
Property Tax	75,933,471	78.0
Non-Tax Revenue	19,377,429	20.0
General Fund Balance	2,000,000	2.0
TOTAL	97,310,900	100.0

The FY 2009-10 budget applies \$2,000,000 from the General Fund balance, the same amount as in FY 2009-10. This will leave an estimated, projected unreserved fund balance as of June 30, 2010 of approximately 11% of the FY 2010-11 budget. This level is consistent with parameters established by the credit rating industry and sound fiscal policy. It is important to note that the projected surplus for FY 2009-10 will be significantly less than FY 2008-09, therefore, the fund balance will not be replaced by the surplus to the extent of previous years. Allowing for an uncertain fiscal future for State revenue, it is prudent to maintain this fund balance for future fiscal years' budgets.

GRAND LIST

The October 1, 2009 taxable Grand List totals \$2,667,951,078, (subject to Board of Assessment Appeals review) or a \$22,432,101 increase. This represents an increase of 0.9% from the previous year. In light of the stagnant economic growth in the State,

any increase in the Grand List is welcomed, although this is one of the lower increases in Newington's recent fiscal history.

MILL RATE

Effective with the October 1, 2009 taxable Grand List, the proposed mill rate for FY 2010-10 is 29.26 mills, an increase of .86 mill or 3.0%.

IMPACT ON THE NEWINGTON TAXPAYER

Utilizing an average residential assessment of \$166,380 and a proposed mill rate of 29.26, taxes would increase by approximately \$143.00 or 3.0%.

CONCLUSION

My appreciation goes to all who assisted in the preparation of the budget proposal, including staff, boards, commissions and other interested parties. I especially would like to thank Finance Director Ann Harter, Deputy Finance Director Lisa Rydecki, and Executive Assistant Jaime Trevethan for their tireless work to produce this document. I look forward to working with the Town Council to complete a budget that is effective, fiscally responsible and will maintain quality services within the Town of Newington.

Yours truly,

John L. Salomone
Town Manager