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1 Mar 2019

Mayor Scarpati and Members of the Meriden City Council,

In accordance with applicable charter requirements, I am pleased to present to you the City of Meriden FY2020 budget. The budget plan presented herein is designed to effectively manage City operations, provide necessary services, and meet long term financial, social, economic and environmental goals.

The most important take away from the development of this budget is that through strong staff work and cooperation between myself and Department heads, I am able to present to you a budget on the City expenditure side that demonstrates a reduction in expenditures of \$450,000 vis a vis revenues. I would like to continue the strong investment the City has made in its schools and its buildings by adding to the previous year's Education expenditure line by a total of \$750,000 (0.75% increase). The reduction in City operations combined with the proposed Education funding results in an increase needed in projected revenues of \$300,000. As a result, this budget projects a 0.08 mill increase in the tax rate, from 41.04 to 41.12, or a 0.19% increase.

There are still some variables that have not yet been adequately calculated, that may positively affect the FY2020 budget. These include final quantification of specific personnel expense savings due to the shake out from the retirement program incentive. These will become more evident as we move through the budget approval cycle.

Background

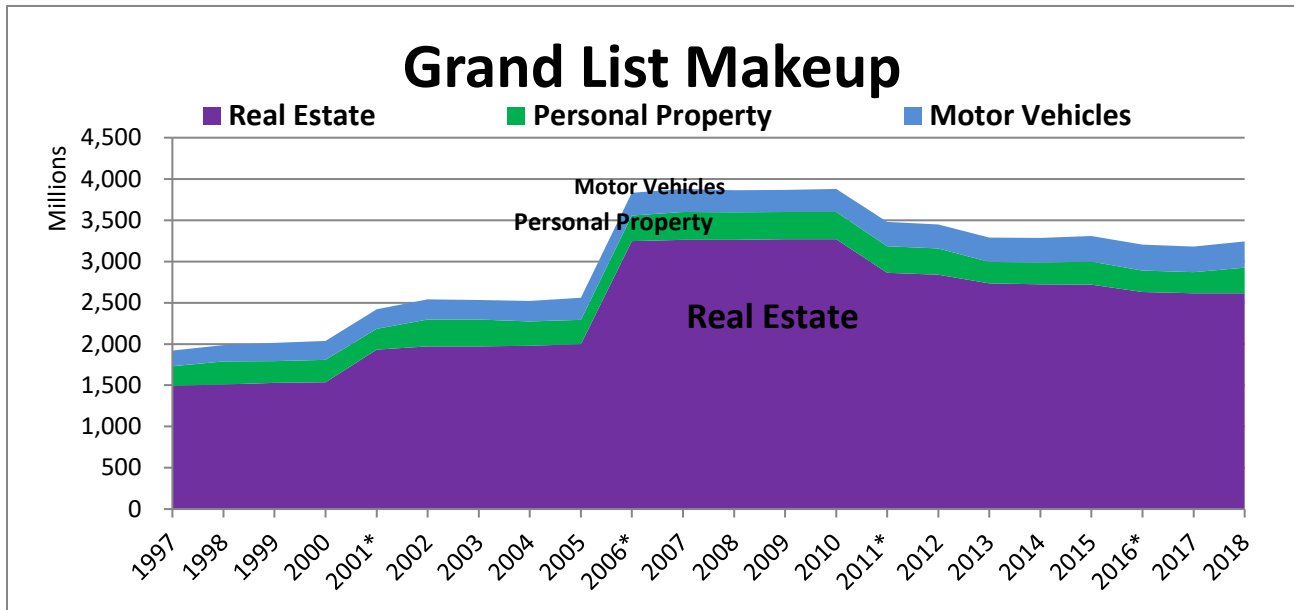
This budget represents a unique confluence of events. The first event I would like to bring to your attention is the Incentive Program for Retirement that was offered to qualified City employees. This program, discussed at length, provides immediate and ongoing savings to the City budget.

The second event, was the Eversource assessment issue. This event provided additional revenues to the City, immediately and for the future and are being applied in ways that are fiscally prudent and allows the City to continue its strong financial footing as evidenced in the repeated yearly audits and in Meriden's current credit rating of AA-

Grand List

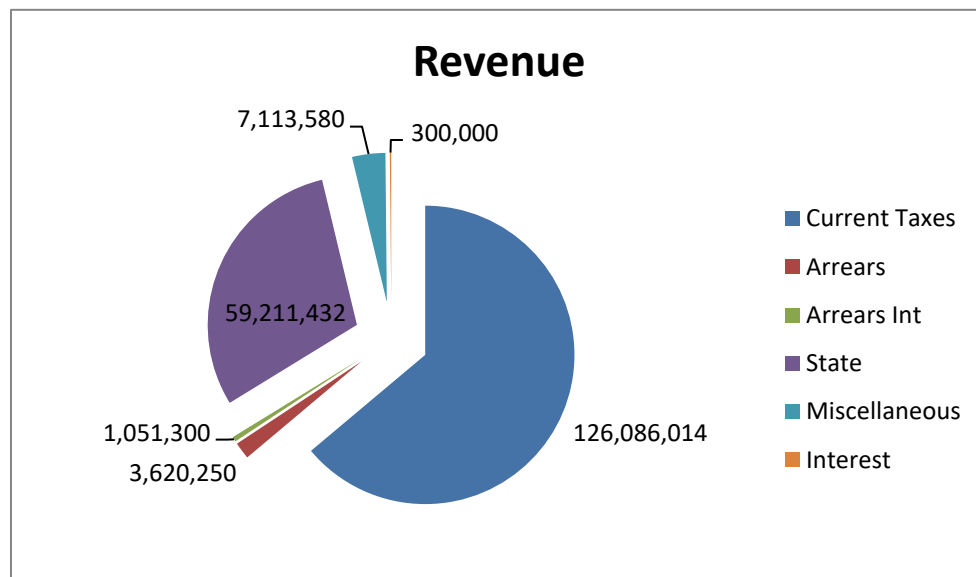
The 2018 Grand List showed a net grand list growth for this year of 1.83%. The chart below shows historical trends specific to the various categories found in the calculation of the Grand List.

Specifically, the category of Real Estate showed an increase of \$1.1 million (.04% growth), Personal Property \$53.1 million (20.25% growth) and Motor Vehicle increased \$4.5 million (1.45% growth).



Revenue

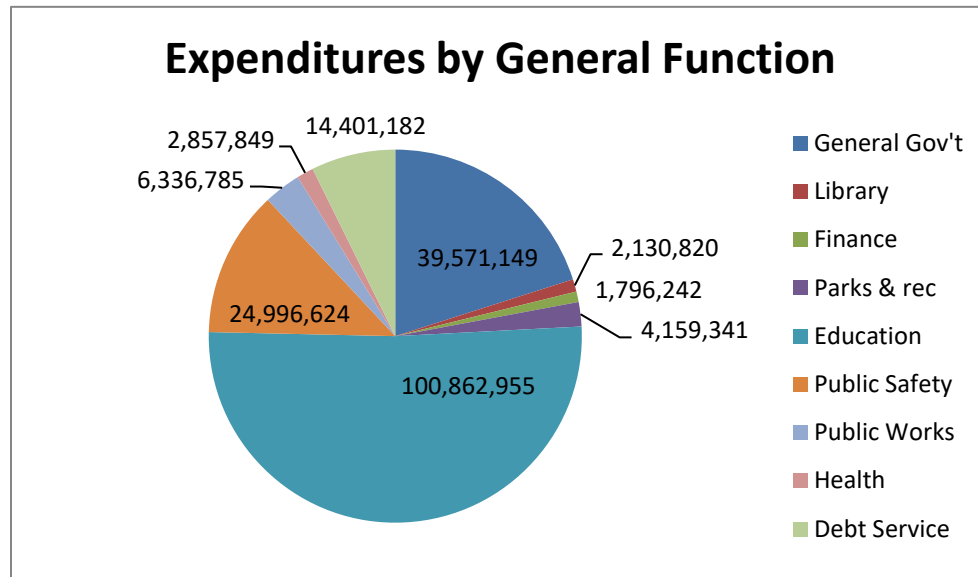
This budget contains revenue totaling \$197,382,576. Where this revenue is generated is shown in the categories contained in the chart below.



Revenue for Current Taxes total \$126,086,014, Arrears total \$3,620,250, Arrears Interest total \$1,051,300, revenues from the State total \$59,211,432, Miscellaneous revenues total \$7,113,580 and Interest total \$300,000.

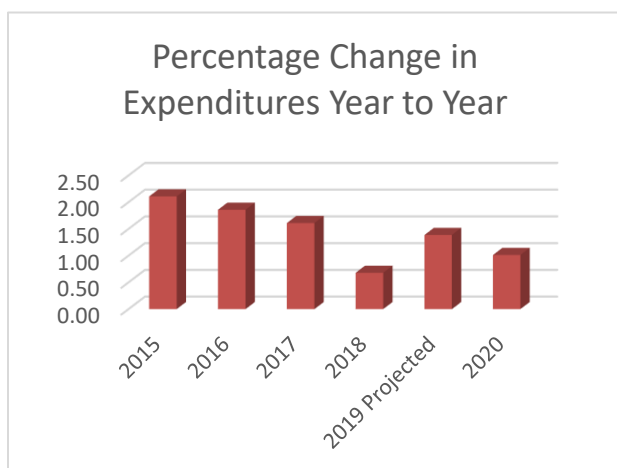
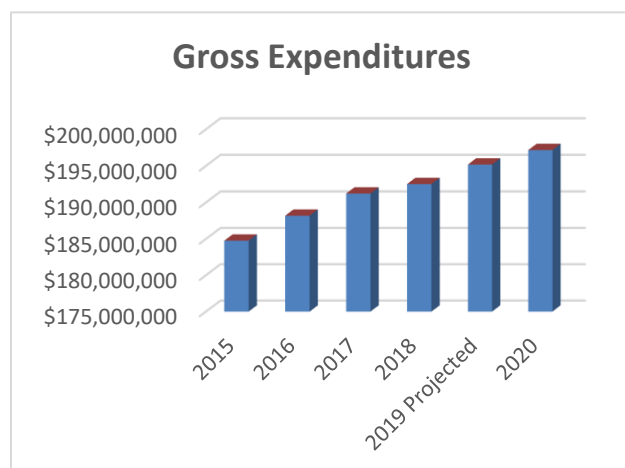
Expenditures

The chart and table below indicates FY2020 expenditures by general City function. Of the 312 budget lines that comprise City expenditures, exclusive of the Enterprise lines and Debt Service, 198 lines (63%) are either flat or reduced.



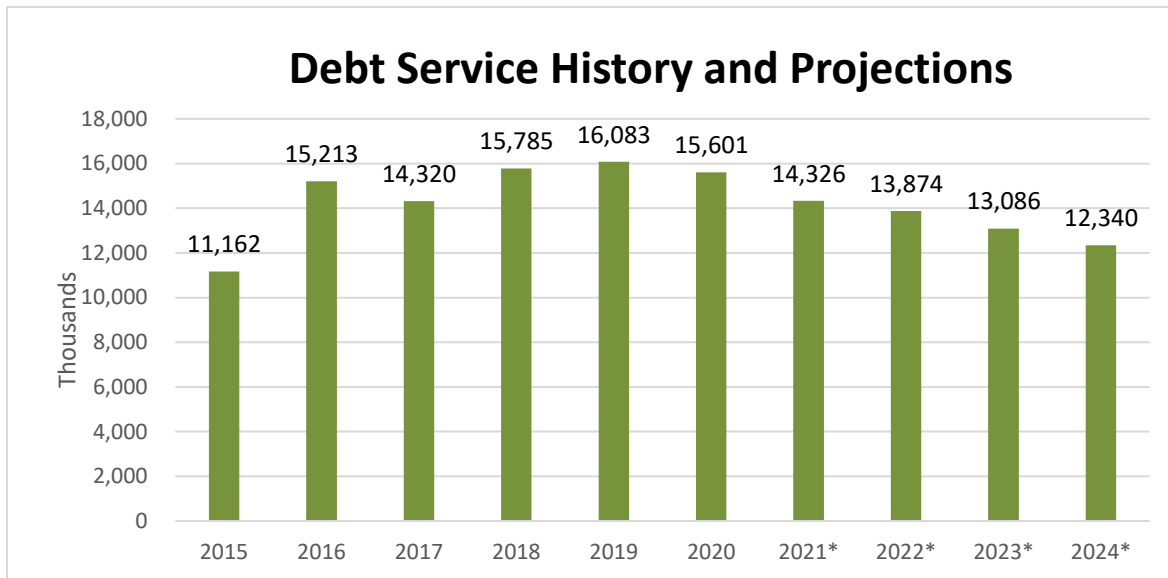
General Gov't	39,571,149
Library	2,130,820
Finance	1,796,242
Parks & rec	4,159,341
Education	100,862,955
Public Safety	24,996,624
Public Works	6,336,785
Health	2,857,849
Debt Service	14,401,182

Additionally, if we were to look at the Expenditure trends over the last five years we see a growth in expenditures in gross dollars, but a general decrease in percentage growth year over year.



Debt Service History

A positive factor in the development of this budget is the declining amount needed to fund the City's current debt obligations. This year debt service dropped from \$16.083 million to \$15.601 million, a difference of \$482,000.



Retirement Program

The City offered a retirement program that contained certain incentives that has resulted in the anticipated retirements of 59 City employees. This retirement incentive adjustment will be captured in a general admin line that is not firm yet because of the variability that exists as employees leave and union movements to fill these positions occur. We intend to capture this item more accurately before the completion of the budget approval process.

Personnel Changes and Organizational Efficiencies

A combination of factors, technological, organizational, and retirements, have created some opportunities to shape City government to increase efficiencies and effectiveness. As a technological factor, the City proposes elimination of 7 part time parking attendants and to replace them with a Pay by Plate metering system.

Organizational factors most specifically include the addition of a Strategic Communications Specialist position that will report directly to the City Manager. It also includes responsibility re-assignments in the Health Department that enables the City to not fund a Public Health Nurse Administrator. Organizational factors also include the re-assignment of positions within the Highway department that result in not filling one supervisor position, changing some job duties, adding two laborer positions, and showing a net result of a loss of one part time position. This is also a function of retirement and the special capabilities lost in that retirement.

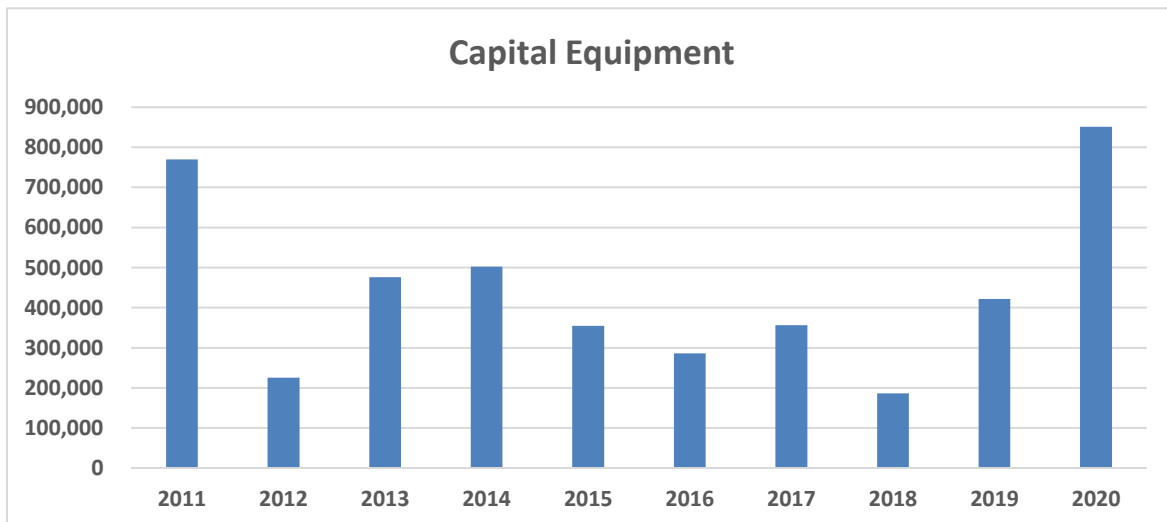
Retirement factors allow the elimination of a Technology Support Specialist as a full time position which will be filled on a part time basis. Bottom line, there are three full time positions, and eight part time positions being eliminated, followed by the addition of three full time positions, and one part time position. I assess the net effect of these personnel changes as being slightly net positive financially for the city.

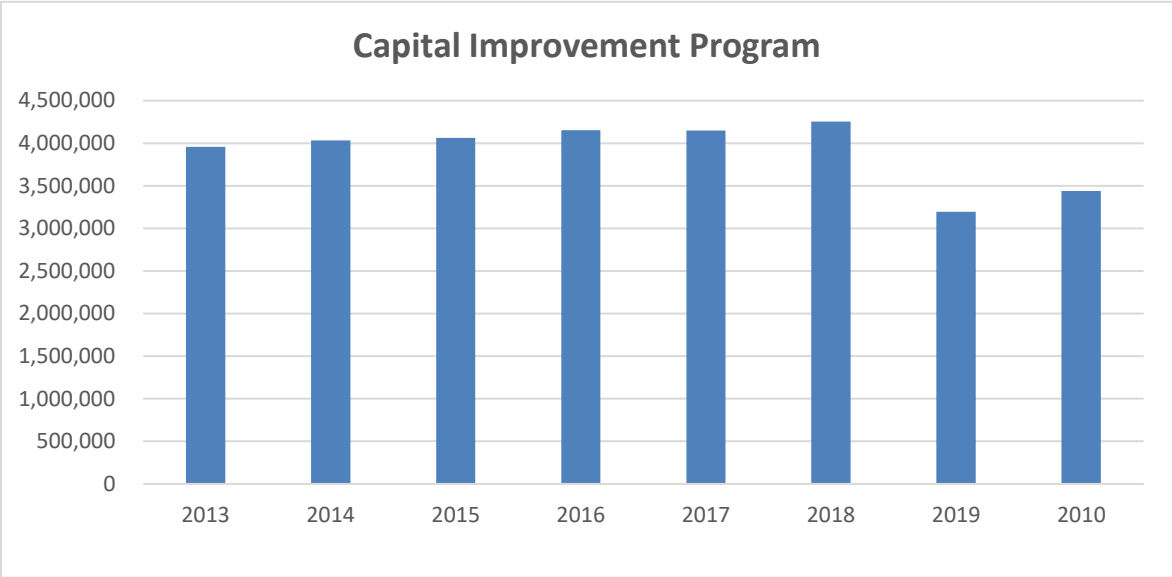
Capital Equipment and Capital Improvement Program

During the budget process the Finance Director and I recognized that a number of items that Department Heads had proposed to be funded under the Capital Improvement Program, more appropriately belonged under the Capital Equipment line. This was done to more accurately reflect that these items were not of a longer term nature or a sufficient dollar amount that would be more appropriate to the CIP. That explains the increase of \$429,495 in the Capital Equipment total.

It must also be brought to the attention of Council that the Capital Improvement Program's self-imposed cap of 50% of the previous year's principal paydown (less the new high schools' principal) is becoming a burden to meet. This is due to a generally good situation in that the City is reducing its indebtedness and therefore its principal payments are declining. We are at the point where it is becoming exceedingly difficult to meet the infrastructure and capital demands of the City due to this cap. I would recommend that Council consider changing the structure of this cap for upcoming budgets.

The current CIP program at \$3,440,000 is under the cap requirement of \$3,467,330 by \$27,330. Initial Department head requests totaled \$7,562,953, which was reduced \$4.12 million through a collaborative process involving myself, and Department Heads. Some of the items that were removed from funding this year were a chiller for Roger Sherman School, Hanover School parking lot, Fire Department pavement repairs, City Hall refurbishment, a P/U for Parks and Rec and significant amounts of Public Works projects such as paving, sidewalks and drainage projects.



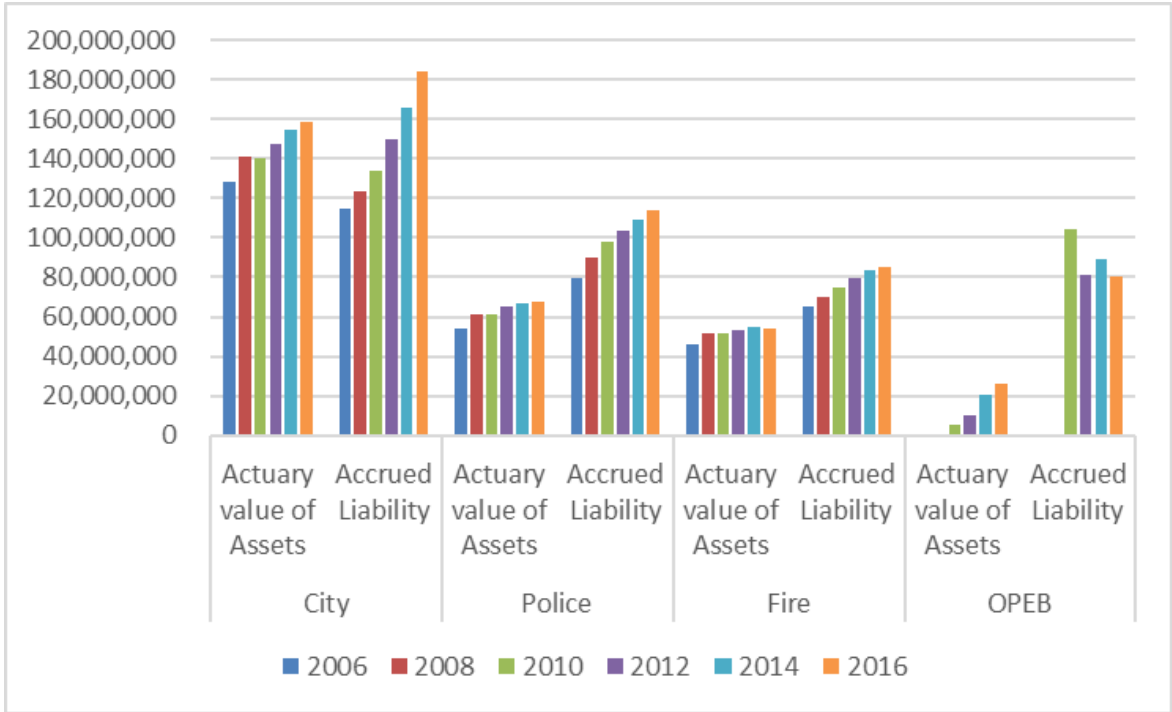


Health Insurance

The City has completed the transition to full census accounting for all contributors to the medical benefits plan.

Pension

The City has historically done a good job funding its pension obligations. This budget continues that trend. It should be noted that a new actuary report is due July 1st, which, obviously, we do not have yet. We hope to have these numbers by the end of the budget cycle. We project an increase the actuarial determined pension obligation but cannot quantify it at this time. The chart below shows accrued assets vs accrued liabilities to give a sense of trends related to pension obligations.



Conclusion

This budget represents the professional opinions of the Department Heads and the Finance Director who were involved in crafting it. I greatly appreciate all the hard work that these professionals provided to me as this budget was crafted. I thank them for it. We feel that this is a strong budget that puts the City in a good position to provide the essential services as efficiently and financially prudent as the City's citizens expect. As always, I look forward to working with the Council and the Mayor as we review and amend this budget as needed.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Timothy Coon', with a long horizontal flourish extending to the right.

Timothy Coon
City Manager