

**PUBLIC HEARING ON THE BOARD OF ESTIMATE AND
TAXATION'S PROPOSED TENTATIVE OPERATING BUDGET
FOR FISCAL YEAR 2012-13**



MARCH 21, 2012

HIGHLIGHTS OF THE PROPOSED TENTATIVE BUDGET

- The Board of Estimate and Taxation’s proposed tentative FY 2012-13 budget is \$296,842,367. This represents an increase of \$8,634,491 or 3.0% over the FY 2011-12 approved budget.
- The proposed tentative budget meets the FY 2012-13 expenditure cap of \$280,475,665 established by the Common Council on February 28, 2012. The cap is calculated as total expenditures (\$296,842,367) less intergovernmental revenues of (\$16,366,702).
- The proposed tentative budget is (\$2,498,017) less than the amount recommended by the Director of Finance, and (\$10,697,785) less than the requested budgets submitted by City departments and the Board of Education.
- The proposed tentative budget’s most significant changes to the Director of Finance’s recommended budget are itemized below:

Eliminate City funding for NEON Headstart Program	(\$937,875)
Reduce Education – Add’l. ECS funding going directly to BOE	(724,551)
Reduce DPW Road Salt funding; Use unspent FY 2011-12 funds	(446,497)
Reduce Contribution to Other Post Employment Benefit Fund	(250,000)
All Other Reductions, Net	(139,094)
TOTAL	(\$2,498,017)

- The proposed tentative budget increases Board of Education spending by \$4,693,501 or 3.0% compared to the FY 2011-12 approved budget. In addition, based on Governor Malloy’s proposed State budget, we anticipate that the Board of Education will directly receive an additional \$724,551 in Education Cost Sharing (ECS) aid. The total combined increase in the amount of funding available to the Board of Education, therefore, will be \$5.4 million, or 3.5%. This is consistent with the amount originally recommended by the Finance Director.
- The proposed tentative budget increases the Police department budget by \$1,284,575 compared to the prior fiscal year. This reflects two years worth of salary increases due to the settlement of the labor contract with the Police union, along with the funding of new police vehicles.
- The proposed tentative budget reduces Grant Agency budgets by \$1,312,962 or 43.4% compared to the FY 2011-12 approved budget. The major reason for this reduction is the elimination of funding for NEON’s administrative expense support in the amount of \$389,500, and the elimination of City funding for the Headstart program in the amount of \$937,875.
- The proposed tentative budget accepts the Finance Director’s recommendation to change the method of delivering garbage collection services from in-house crews to an outsourced contract, effective October, 2012. The budgetary savings associated with this change is \$360,000 for FY 2012-13. The City recently won the right to contract out these services in binding arbitration. The estimated all inclusive savings of contracting out this service is \$949,000 per year.
- The proposed tentative budget accepts the Finance Director’s recommendation to eliminate funding for the Museum Curator position and Norwalk Museum, resulting in budgetary savings of \$216,395, plus the cost of employee benefits.

- The proposed tentative budget estimates total intergovernmental revenue at \$16,366,702, an increase of \$172,293 compared to the approved budget for FY 2011-12. This amount does not include the \$724,551 increase in ECS aid proposed by Governor Malloy, because the Governor has proposed that these funds go directly to the Board of Education.
- The proposed tentative budget reduces investment income revenue by (\$288,000) from the FY 2011-12 approved budget, due to a continuing decline in the rate of return the City is able to achieve in its general fund investments.
- The total tax levy (the amount to be raised from property taxes) needed to support the proposed tentative budget will increase by 3.1%.
- The net grand list is estimated at \$12,826,438,838, an increase of 0.3%. The City's last revaluation was completed in 2008. Most taxpayers will experience no change in their real property assessments unless they have made improvements to their property.
- Depending upon the district, mill rates in Norwalk will increase between 2.42% to 2.86%. The 4th District mill rate will increase by 2.78%, and taxes on the median single-family home in the 4th District will increase by \$170, to \$6,145. Mill rates on Motor Vehicles will increase 2.3% from 25.448 to 26.036 mills.

The table below provides information on the breakdown of expenses under the proposed tentative budget by major functional area.

Table 1. Summary of Expenditures

DEPARTMENT	Audited	Audited	Approved	BET Proposed Budget		Approved	Approved
	Actual 2009-10	Actual 2010-11	Budget 2011-12	Budget 2012-13	% of Total	Budget \$ Variance	Budget % Variance
Education	\$ 148,829,159	\$ 150,478,056	\$ 154,801,489	\$ 159,494,990	53.7%	\$ 4,693,501	3.0%
Protection of Persons & Property	\$ 38,103,336	\$ 39,561,919	\$ 38,049,054	\$ 39,506,235	13.3%	\$ 1,457,181	3.8%
Employee Benefits	\$ 22,749,520	\$ 25,423,490	\$ 26,228,536	\$ 27,830,802	9.4%	\$ 1,602,266	6.1%
Debt Service	\$ 26,286,285	\$ 25,126,904	\$ 25,310,683	\$ 25,678,273	8.7%	\$ 367,590	1.5%
Public Works	\$ 15,593,639	\$ 15,494,011	\$ 16,527,493	\$ 16,705,665	5.6%	\$ 178,172	1.1%
Recreation, Arts, Culture	\$ 6,986,343	\$ 6,959,888	\$ 7,198,174	\$ 6,988,760	2.4%	\$ (209,414)	-2.9%
Pension Contributions	\$ 2,065,305	\$ 3,906,095	\$ 5,626,991	\$ 7,138,201	2.4%	\$ 1,511,210	26.9%
General Government	\$ 4,214,713	\$ 4,521,947	\$ 4,789,693	\$ 5,016,689	1.7%	\$ 226,996	4.7%
Finance Department	\$ 2,955,585	\$ 2,803,665	\$ 3,146,195	\$ 3,156,477	1.1%	\$ 10,282	0.3%
Grants	\$ 2,997,946	\$ 3,016,523	\$ 3,026,600	\$ 1,713,638	0.6%	\$ (1,312,962)	-43.4%
Health Department	\$ 1,865,486	\$ 1,872,224	\$ 1,996,769	\$ 1,953,904	0.7%	\$ (42,865)	-2.1%
Other Operating	\$ 84,912	\$ 84,162	\$ 1,506,199	\$ 1,658,733	0.6%	\$ 152,534	10.1%
GRAND TOTAL	\$ 272,732,229	\$ 279,248,882	\$ 288,207,876	\$ 296,842,367	100.0%	\$ 8,634,491	3.0%

- The proposed tentative budget for FY 2012-13 for the Board of Education is \$159.5 million, a \$4.7 million increase over FY 2011-12's budget. Direct education funding represents 53.7% of the proposed budget. Additionally, approximately \$22.0 million of expenses are contained in the City budget that directly supports the Board of Education. Specifically, debt service for Board of Education capital projects, pension contributions for non-certified Board of Education staff; workers' compensation, general liability, and property insurance costs; OPEB expenses related to retiree benefit obligations, and City departmental support of Board of Education operations.

When these costs are added to the direct Board of Education appropriation the Board of Education comprises 59.5% of the total \$296.8 million budget.

- The Board of Education will also receive an increase to its ECS funding directly from the State of \$724,551 that is not included in the above budget numbers.
- Proposed tentative increases in Education, Pension Contributions and Employee Benefits account for \$7.8 million, or 90.4% of the proposed tentative total budget increase of \$8.6 million.
- Employee pension contributions are increasing \$1.5 million from \$5.6 to \$7.1 million or 26.9%. These contributions cover both City employees and non-certified Board of Education employees who participate in the City pension plan. The City Charter requires the City to contribute the Actuarial Required Contribution which is updated every year by an independent actuary.
- Employee benefit costs are increasing \$1.6 million from \$26.2 to \$27.8 million or 6.1%. The City's general fund contribution to the City's Insurance Fund for active employee medical benefits is responsible for \$1.5 million of the increase or 18.4% increase over its current year budget. The contribution to the OPEB Trust fund is proposed to be equal to the FY 2011-12 budget levels.
- Both the proposed tentative and the Finance Director's recommended budgets reflect the negotiated wage increases associated with settled collective bargaining agreement for the Police department. The remaining City bargaining agreements are presently unsettled so no general wage increases are reflected in the departmental budgets for these contracts.
- Debt service is remaining nearly level for FY 2012-13, with an increase of just \$367,590, or 1.5% compared to the current fiscal year. The City's debt service payments are used to finance both City and Board of Education capital projects.

The table below provides information on the breakdown of revenues under the proposed tentative budget by major functional area.

Table 2. Summary of Revenues

DEPARTMENT	Audited	Audited	Approved	BET Proposed Budget		Approved	Approved
	Actual 2009-10	Actual 2010-11	Budget 2011-12	Budget 2012-13	% of Total	Budget \$ Variance	Budget % Variance
Current Local Taxes	\$ 244,918,006	\$ 253,718,873	\$ 256,054,473	\$ 263,424,534	88.7%	\$ 7,370,061	2.9%
Back Tax Collections	Inc. In Local Taxes	Inc. In Local Taxes	\$ 3,400,000	\$ 2,800,000	0.9%	\$ (600,000)	-17.6%
Supplemental Auto	Inc. In Local Taxes	Inc. In Local Taxes	\$ 1,500,000	\$ 1,700,000	0.6%	\$ 200,000	13.3%
Interest & Penalties	\$ 2,042,121	\$ 1,661,490	\$ 1,908,900	\$ 1,661,490	0.6%	\$ (247,410)	-13.0%
Intergovernmental	\$ 15,080,693	\$ 15,956,939	\$ 16,194,409	\$ 16,366,702	5.5%	\$ 172,293	1.1%
Investment Income	\$ 1,399,694	\$ 1,075,369	\$ 1,000,000	\$ 712,000	0.2%	\$ (288,000)	-28.8%
Departmental Receipts	\$ 6,852,077	\$ 7,073,453	\$ 7,210,085	\$ 7,719,685	2.6%	\$ 509,600	7.1%
Misc.	\$ 1,560,949	\$ 1,313,483	\$ 940,009	\$ 1,457,956	0.5%	\$ 517,947	55.1%
Use of Fund Balance	\$ -	\$ -	\$ -	\$ 1,000,000	0.3%	\$ 1,000,000	100.0%
GRAND TOTAL	\$ 271,853,540	\$ 280,799,607	\$ 288,207,876	\$ 296,842,367	100.0%	\$ 8,634,491	3.0%

- The City's revenues from local property taxes are impacted by the tax collection rate which is budgeted at 98.2% of the tax levy. This is a decrease from the assumed collection rate used in the FY 2011-12 operating budget of 98.5%. because the City's history indicates that the collection rate will rise in the year that the City conducts its biennial Tax Sale, and then fall slightly the year after.
- Revenues, other than local property taxes, available to support the proposed budget are estimated at \$33.4 million, an increase of \$1.3 million or 3.9% from the FY 2011-12 approved budget. Delinquent property tax (Back Tax) collections are estimated at \$2.8 million a decrease of \$0.6 million from the FY 2011-12 budget which included the increase of tax receipts experienced in a tax sale year. Supplemental automobile taxes are estimated at \$1.7 million, an increase of \$0.2 million from the FY 2011-12 budget. The net amount that must be raised from current property taxes is \$263.4 million, an increase of \$7.4 million or 2.9% over the current year.
- The proposed tentative budget includes the use of \$1.0 million from fund balance to support the FY 2012-13 budget. In addition, City management anticipates funding the cost of the 2013 State-mandated revaluation from fund balance through a separate appropriate after the actual cost of revaluation is determined through a public bidding process.
- The grand list filed by the Tax Assessor for budget purposes is \$12.83 billion, an increase of \$39.6 million or 0.3%. This is an increase from the \$12.79 billion grand list used for budget purposes in FY 2011-12.

Impact of Budget on Property Taxpayers

The proposed tentative budget requires a 2.8% increase in the total tax levy. With a 0.3% increase in the grand list, the proposed budget results in an increase in the Fourth District mill rate of 2.78%. The median single family homeowner in the 4th district with a house assessed at \$287,490 will pay \$170 more in property taxes in FY 2012-13, with a total tax bill projected at \$6,145.

Below is a summary of revenues and expenditures for the 2012-13 proposed tentative operating budget. This budget represents a 3.0% increase over FY2011-12.

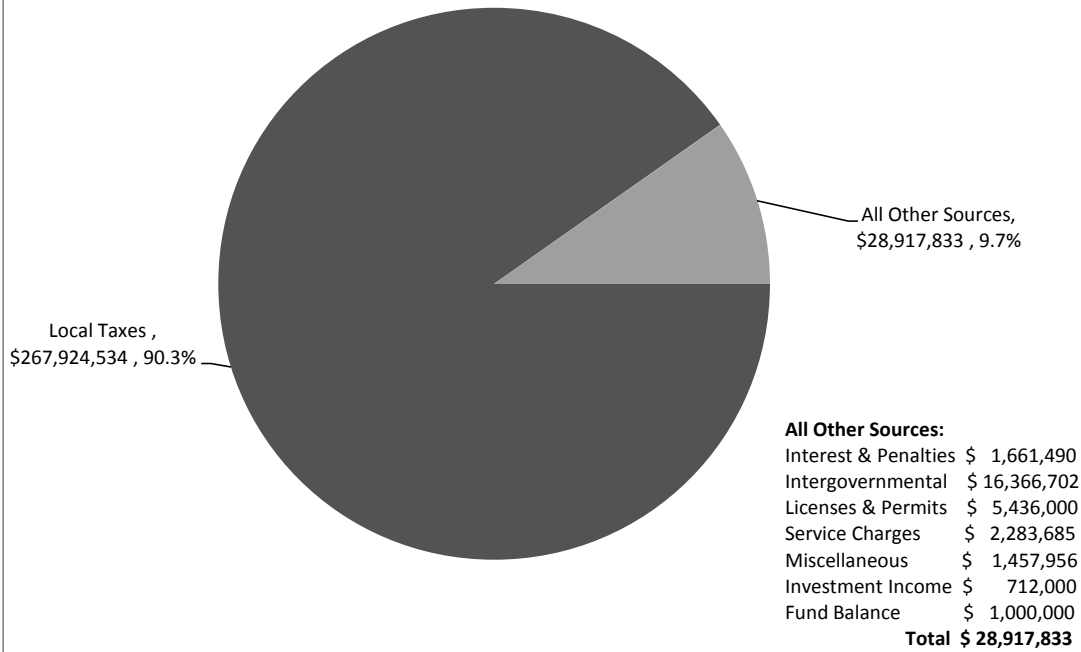
SUMMARY OF OPERATING BUDGET REVENUES

	Actual 2010-11	% Total	Approved 2011-12	% Total	Requested 2012-13	% Total	Prop. Tent. 2012-13	% Total	\$ Change 12-13 vs. 11-12	% Change
Local Taxes	253,718,873	90.4%	260,954,473	90.5%	280,844,093	91.3%	267,924,534	90.3%	6,970,061	2.7%
All Other Sources	27,095,671	9.6%	27,253,403	9.5%	26,696,059	8.7%	28,917,833	9.7%	1,664,430	6.1%
TOTAL REVENUE	\$ 280,814,544	100.0%	\$ 288,207,876	100.0%	\$ 307,540,152	100.0%	\$ 296,842,367	100.0%	\$ 8,634,491	3.0%
All Other Sources:										
Interest & Penalties	1,661,490	0.6%	1,908,900	0.7%	1,661,490	0.5%	1,661,490	0.6%	(247,410)	-13.0%
Intergovernmental	15,950,558	5.7%	16,194,409	5.6%	16,381,073	5.3%	16,366,702	5.5%	172,293	1.1%
Licenses & Permits	4,937,327	1.8%	4,977,650	1.7%	4,362,500	1.4%	5,436,000	1.8%	458,350	9.2%
Service Charges	2,157,443	0.8%	2,232,435	0.8%	2,142,980	0.7%	2,283,685	0.8%	51,250	2.3%
Miscellaneous	1,313,483	0.5%	940,009	0.3%	1,436,016	0.5%	1,457,956	0.5%	517,947	55.1%
Investment Income	1,075,369	0.4%	1,000,000	0.3%	712,000	0.2%	712,000	0.2%	(288,000)	-28.8%
Transfer from Fund Balance	-	0.0%	-	0.0%	-	0.0%	1,000,000	0.3%	1,000,000	N/A
Total All Other Sources	\$ 27,095,671	9.6%	\$ 27,253,403	9.5%	\$ 26,696,059	8.7%	\$ 28,917,833	9.7%	\$ 1,664,430	6.1%

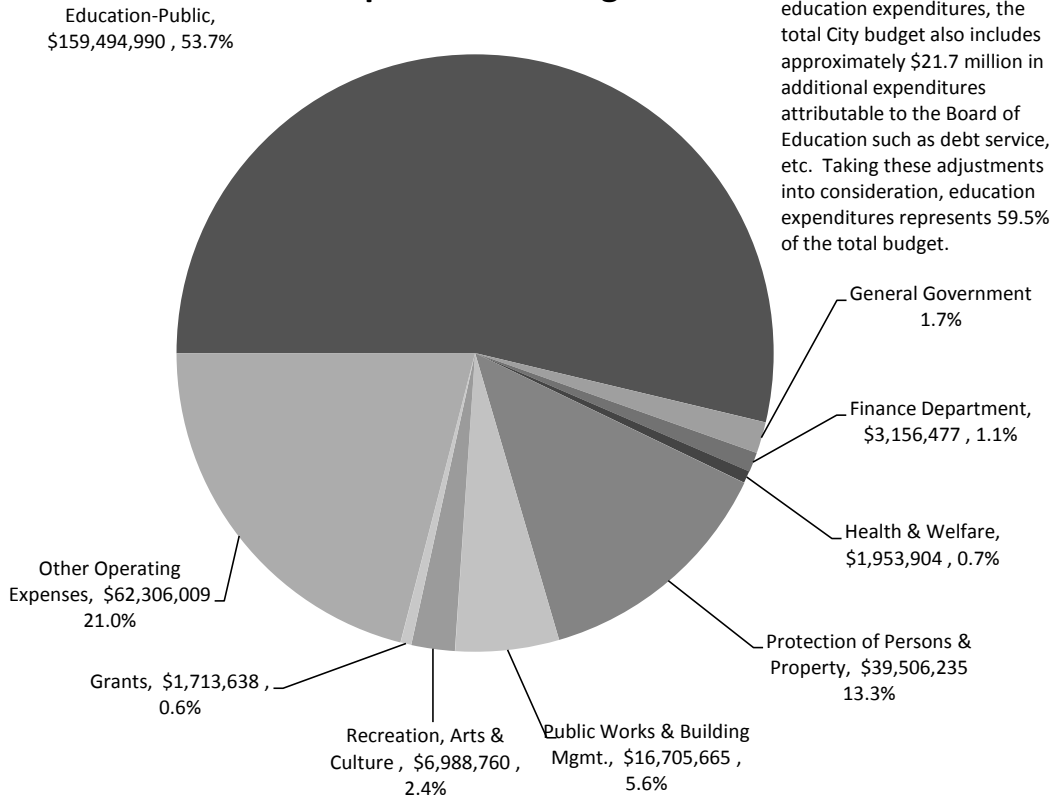
SUMMARY OF OPERATING BUDGET EXPENDITURES

	Actual 2010-11	% Total	Approved 2011-12	% Total	Requested 2012-13	% Total	Prop. Tent. 2012-13	% Total	\$ Change 12-13 vs. 11-12	% Change
Education-Public	150,478,056	53.9%	154,801,489	53.7%	165,419,100	53.8%	159,494,990	53.7%	4,693,501	3.0%
All Other Categories	128,833,328	46.1%	133,406,387	46.3%	142,121,052	46.2%	137,347,377	46.3%	3,940,990	3.0%
TOTAL EXPENDITURES	\$ 279,311,385	100.0%	\$ 288,207,876	100.0%	\$ 307,540,152	100.0%	\$ 296,842,367	100.0%	\$ 8,634,491	3.0%
All Other Categories:										
General Government	4,523,450	1.6%	4,789,693	1.7%	5,125,538	1.7%	5,016,689	1.7%	226,996	4.7%
Finance Department	2,805,050	1.0%	3,146,195	1.1%	3,174,146	1.1%	3,156,477	1.1%	10,282	0.3%
Health & Welfare	1,872,224	0.7%	1,996,769	0.7%	2,019,304	0.7%	1,953,904	0.7%	(42,865)	-2.1%
Protection of Persons & Prop.	39,563,232	14.2%	38,049,054	13.2%	40,374,895	13.6%	39,506,235	13.3%	1,457,181	3.8%
Public Works & Bldng Mgmt.	15,552,312	5.6%	16,527,493	5.7%	17,255,836	5.8%	16,705,665	5.6%	178,172	1.1%
Recreation, Arts & Culture	6,959,887	2.5%	7,198,174	2.5%	7,488,046	2.5%	6,988,760	2.4%	(209,414)	-2.9%
Grants	3,016,523	1.1%	3,026,600	1.1%	3,124,816	1.1%	1,713,638	0.6%	(1,312,962)	-43.4%
Other Operating Expenses	54,540,651	19.5%	58,672,409	20.4%	63,558,471	21.4%	62,306,009	21.0%	3,633,600	6.2%
Total All Other Categories	\$ 128,833,328	46.1%	\$ 133,406,387	46.3%	\$ 142,121,052	46.2%	\$ 137,347,377	46.3%	\$ 3,940,990	3.0%

\$296,842,367
Revenue Sources



\$296,842,367
Expenditure Categories



**COMPOSITE TAX RATES FOR FISCAL YEAR 2012-13
 BASED ON ESTIMATED OCTOBER 2011 GRAND LIST
 ROUNDED TO NEAREST X.XXX MILLS**

SERVICE DISTRICTS	FIRST DIST DOWNTOWN NORWALK	SECOND DIST SOUTH NORWALK	THIRD DIST EAST NORWALK	FOURTH DIST SEWERED MAIN AREA	FIFTH DIST NO GARBAGE MAIN AREA	SIXTH DIST ROWAYTON	MOTOR VEHICLE DISTRICT
FIFTH DISTRICT	18.501	18.501	18.501	18.501	18.501	18.501	
FIRE DISTRICT	2.338	2.338	2.338	2.338	2.338		
FOURTH DIST - GARBAGE	0.488	0.488	0.488	0.488			
STREET LIGHTING DIST				0.046	0.046		
SIXTH DIST - ROWAYTON						0.980	
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PROPOSED TENT. 2012-13	21.327	21.327	21.327	21.373	20.886	19.481	26.036
APPROVED 2011-12	20.742	20.742	20.742	20.795	20.304	19.022	25.448
PERCENT INCR./DECR.	2.82%	2.82%	2.82%	2.78%	2.86%	2.42%	2.31%