

**OFFICE OF POLICY AND MANAGEMENT
MEMORANDUM**

To: Members of the MARB
From: Julian Freund, OPM
Date: May 9, 2019
Subject: West Haven FY 2020 Budget Questions

During the May 2 meeting of the MARB, and subsequent to the meeting, several questions were raised regarding the City of West Haven FY 2020 budget as proposed. The following information is provided in response:

What assumptions were used in calculating the estimated actuarially determined contribution for the Police Pension fund in FY 2020?

As noted in the attached letter from Milliman, the assumptions in the 2016 valuation were not changed. The major assumptions used in the 2016 valuation were:

- Investment Return: 7.375%
- Projected Salary Increase: 3.50%
- Amortization Growth Rate: 3.50%
- Inflation: 2.75%
- COLA pre 7/1/93 hire: 3.00%
- COLA after 7/1/93 hire: 1.75%

The new plan valuation is in the process of being prepared by Milliman.

What was the City's budget surplus in FY 2018?

The City's operating surplus was \$3.14 million. This figure excludes the impact of the deficit bonds issued in Nov. 2017. If the deficit bonds are included, the change in fund balance was \$20.3 million.

What is the projected surplus for FY 2019?

The most recent projection is a surplus of \$3.76 million. This assumes all \$8 million in restructuring funds are received and the \$1.75 million in contingency for deficit reduction remains unspent.

What was the General Fund Balance as of 6/30/18 and is any fund balance used in the FY 2020 budget?

Fund Balance as of 6/30/18 was \$2.18 million. The FY 2020 budget does not rely on any use of fund balance.

What was the Sewer Fund Balance as of 6/30/18?

Sewer Fund Balance as of 6/30/18 was \$1.76 million.

City council used \$500,000 from sewer authority surplus to correct the budgeting errors in the Mayor's proposed budget. Is there any remaining positive fund balance in the sewer fund, and if so how much. Is it the practice of the City to transfer this money to the City's operational budget?

The Council added \$500,000 in revenues to the General Fund as a transfer from the Sewer Fund. The City has explained that this amount represents a payment from the Sewer Fund to the General Fund for Sewer-related debt service which was inadvertently left out of the published recommended budget.

Does there remain a positive sewer fund balance of 1.26 million? What was the sewer fund balance as of 6/30/17 and what is the projected surplus for FY 19?

The Sewer Fund balance of \$1.76 million as of 6/30/18 remains. The fund balance amount will change as of 6/30/19 based on the FY 2019 results. The most recent budget report narrative for FY 2019 indicates a modest surplus at year end, though the projections in the recommended budget document show the Sewer Fund ending the year in balance (no surplus or deficit). As of 6/30/17 the Sewer Fund had a negative fund balance of (\$75,991).

Was there any transfer or payments from the sewer fund to the City, with the exception of the recent \$500,000, between 6/30/17 and today? And if so, how much, when and for what purpose?

The \$500,000 transfer referenced as part of the budget adjustments made on 4/30 would be budgeted in FY 2020 as an expenditure (transfer out) in the Sewer Fund and a revenue (transfer in) to the General Fund. That expenditure had been included in the recommended budget for the Sewer Fund, but the corresponding revenue had been inadvertently left out.

Recent transfers from the Sewer Fund to the General Fund have all related to Clean Water or other sewer project debt service.

- FY 2017 Actual: \$1,381,086
- FY 2018 Actual: \$1,171,416
- FY 2019 Budget: \$1,063,700

How much "sewer related" debt service has there been annually for the last 3 fiscal years, including 19, that is the obligation of the City of West Haven and how has that been reconciled in the past?

As noted above, the amounts for sewer related debt service for FY 2017-2019 are:

- FY 2017 Actual: \$1,381,086
- FY 2018 Actual: \$1,171,416
- FY 2019 Budget: \$1,063,700

The Sewer Fund budgets for these transfers as an expenditure, with a corresponding revenue budgeted in the General Fund.



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March 18, 2019

PERSONAL & CONFIDENTIAL

Mr. Frank Cieplinski
Director of Finance
City of West Haven
355 Main Street
West Haven, CT 06516

Re: City of West Haven Police Pension Plan
Estimated Pension Contribution for FY2020

Dear Frank:

At your request, we have estimated the pension contribution for FY2020:

1. Estimated Accrued Liability as of July 1, 2018	\$135,925,000
2. Estimated Actuarial Value of Assets as of July 1, 2018	120,549,000
3. Unfunded Accrued Liability: (1) - (2)	15,376,000
4. Past Service Cost: (3) amortized over 13 years with an amortization growth rate of 3.50%	1,461,000
5. Net Normal Cost	866,000
6. Interest on (4) + (5)	171,000
7. Estimated Actuarially Determined Contribution for FY2020: (4) + (5) + (6)	2,498,000

These calculations reflect the actual investment performance through July 1, 2018, but use estimates of the 2018 Accrued Liability and Normal Cost that we developed by assuming there have been no liability-related gains or losses, plan changes, or assumption changes since the 2016 valuation.

The calculations contained herein are based on the results of the January 1, 2016 valuation. Please see our report dated September 12, 2016 for information regarding the plan provisions, actuarial methods and assumptions, and plan membership. The explanatory notes contained in the valuation report, including statements of reliance and limitations on use, continue to apply.

March 18, 2019
Mr. Frank Cieplinski
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The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Jenn".

Jennifer M. Castelhana, FSA
Consulting Actuary

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