

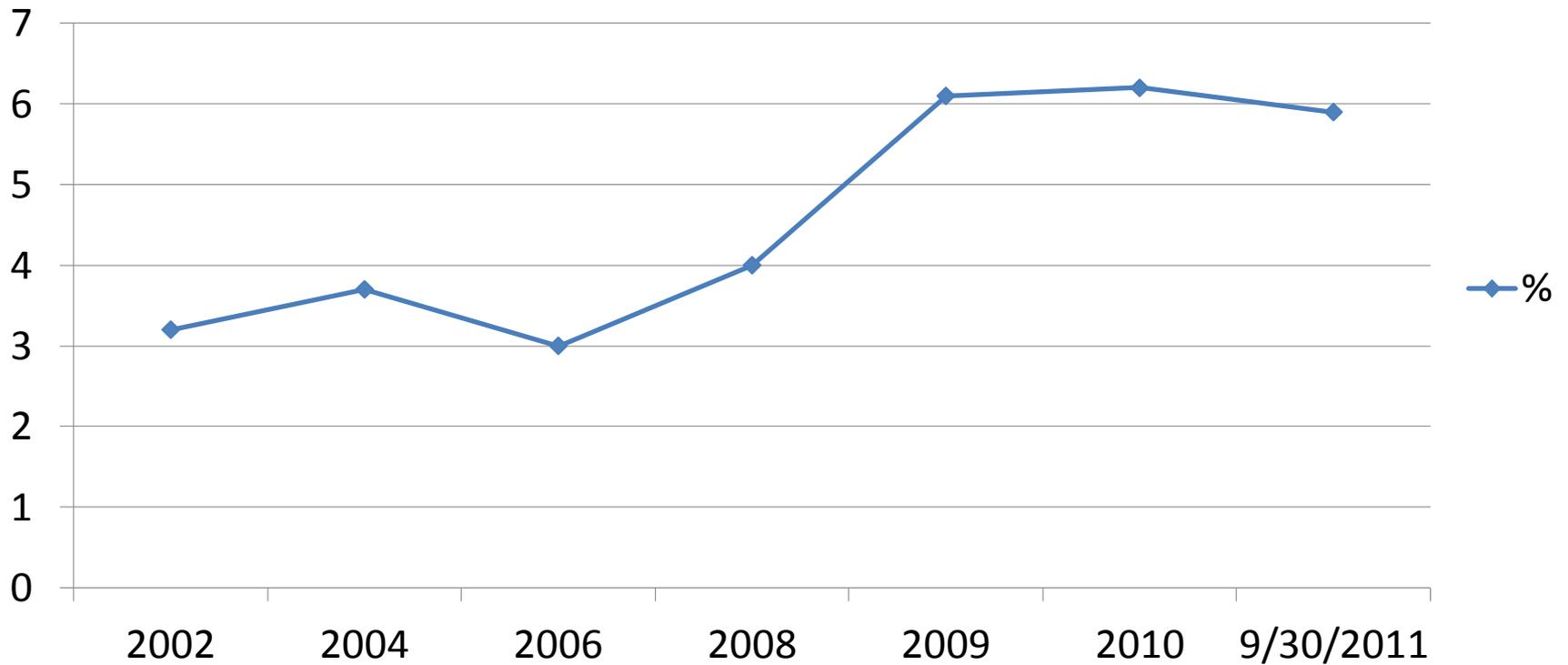
DISCUSSION TOPICS

- PROFILE OF WILTON TAXPAYERS
- WILTON TAXPAYERS VS DRG TAXPAYERS
- OVERVIEW OF THE TOWN'S FINANCIAL POSITION
- 2013 MIL RATE TARGETS AND RATIONALE

BOF Presentation—November 2011
Profile of Wilton Taxpayers
UNEMPLOYMENT RATES

Unemployment began to rise in mid 2008 until leveling off at 6% in early 2009, where it remains today

Source: CT DOL



FOR MOST WILTON TAXPAYERS EARNINGS LAG 2008 LEVELS

AVERAGE EARNINGS ARE DOWN APPROXIMATELY 20%:

- 2008 Average Adjusted Gross Income (AGI) **declined by 17%** versus 2007 per IRS Wilton data
- In 2009 per IRS:
Average AGI for Fairfield County **was down 6.6%**

The number of returns in the state with an AGI over \$200,000 was **down 9.5%**
- Non IRS government agencies give conflicting estimates of earnings changes ranging from (5.6%) to 4.0%

SOURCE: IRS Statistical Data, and US Dept of Commerce, Bureau of Economic Analysis and CT Economic Resource Council

THERE IS A WIDE DISPARITY IN EARNINGS IN WILTON

THE MINORITY HAS A MUCH GREATER EARNINGS THAN THE MAJORITY

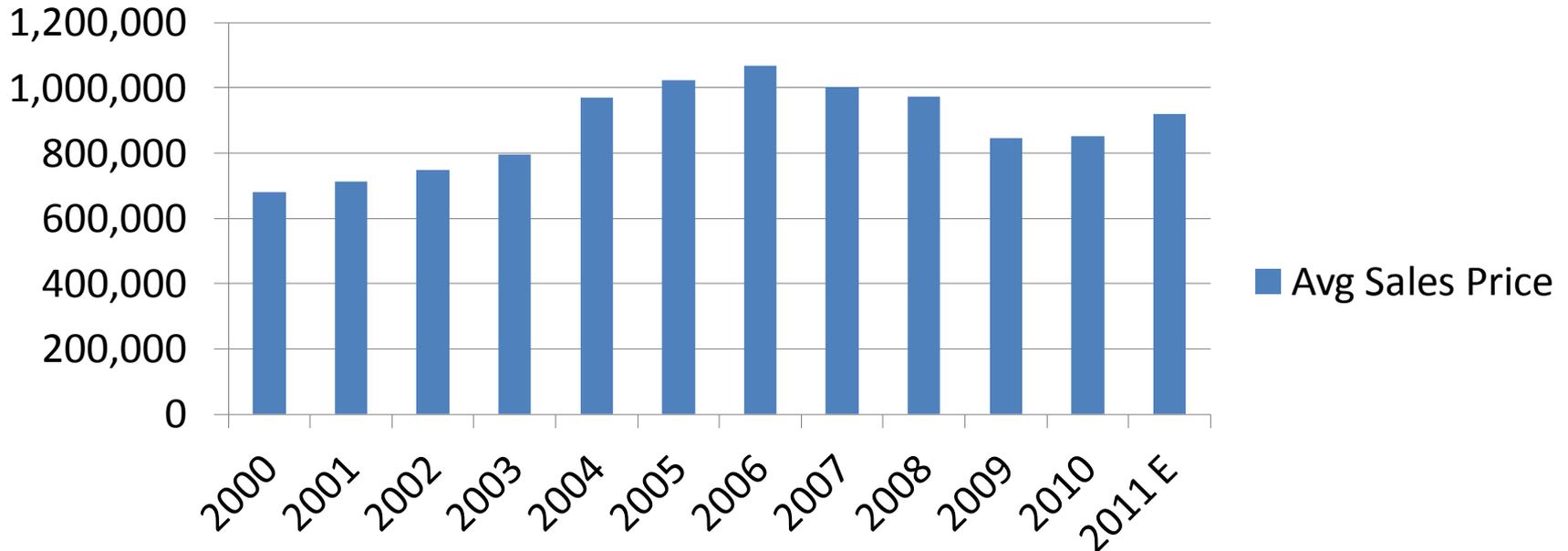
- Based on historical IRS data, **60%** of Wilton taxpayers have an AGI of **less than \$200,000**, with an average and a mean of less than \$100,000
- During the same period, the average AGI for the **40% making above \$200,000** was more than **7 times higher** than those making less.
- The **average property tax for FY 2012 is approximately \$14,000** . For those making less than \$200,000, property taxes are likely to represent 10% or more of their income. Higher earners are likely to have taxes of less than 5% of income.

**CURRENTLY AT A 15% DECLINE IN SINGLE FAMILY HOME SALES PRICES
SINCE THE 2006 HIGH**

**Approximately 25% of single family housing stock was purchased
during the height of the market**

Source: Prudential Real Estate

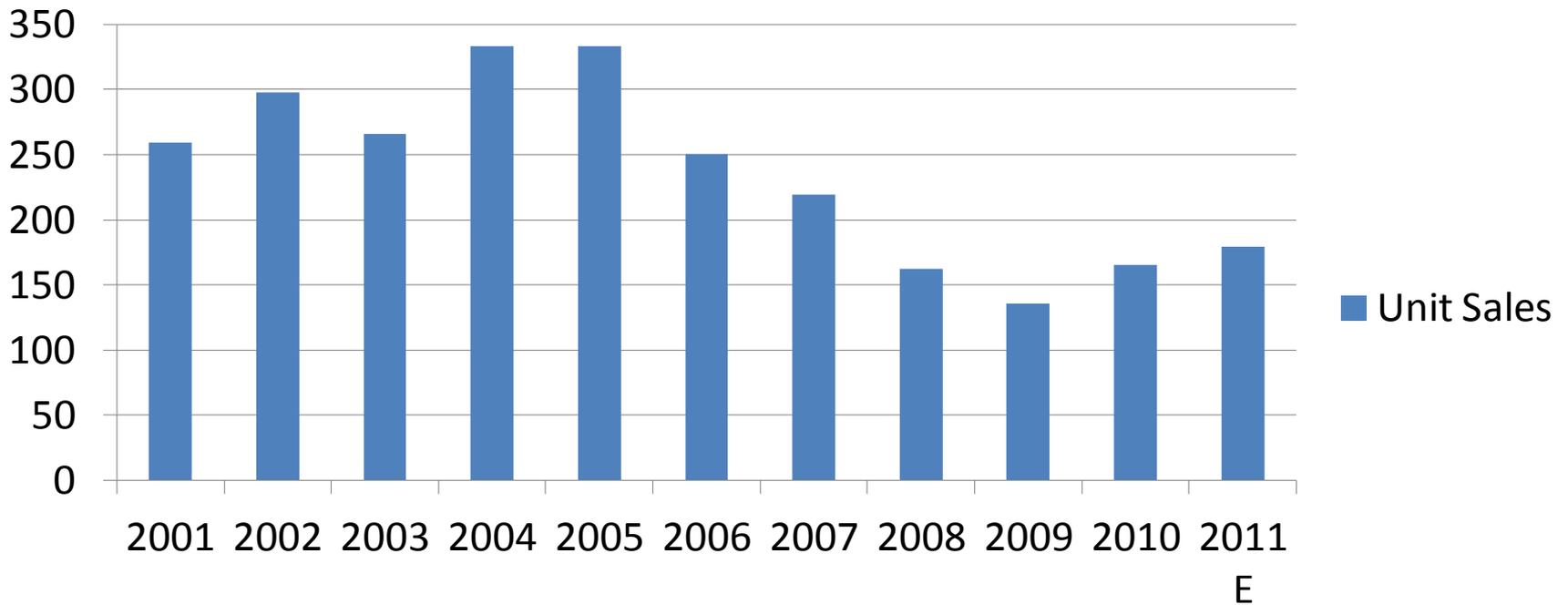
Avg Sales Price



50% DECLINE IN ANNUAL UNIT SALES OF SINGLE FAMILY HOME RESALES

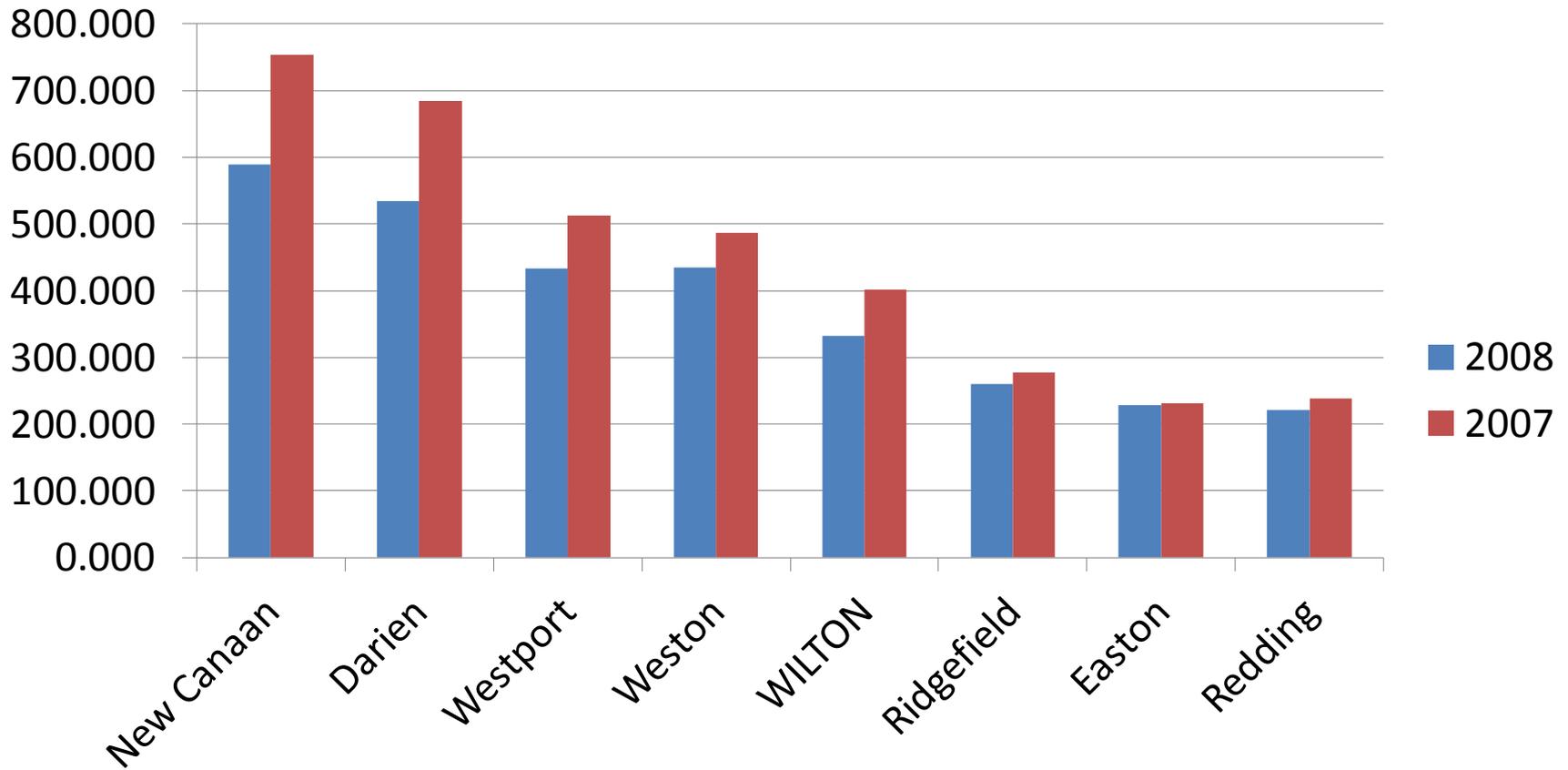
Source: Prudential Real Estate, Sales Recorded by MLS

Unit Sales

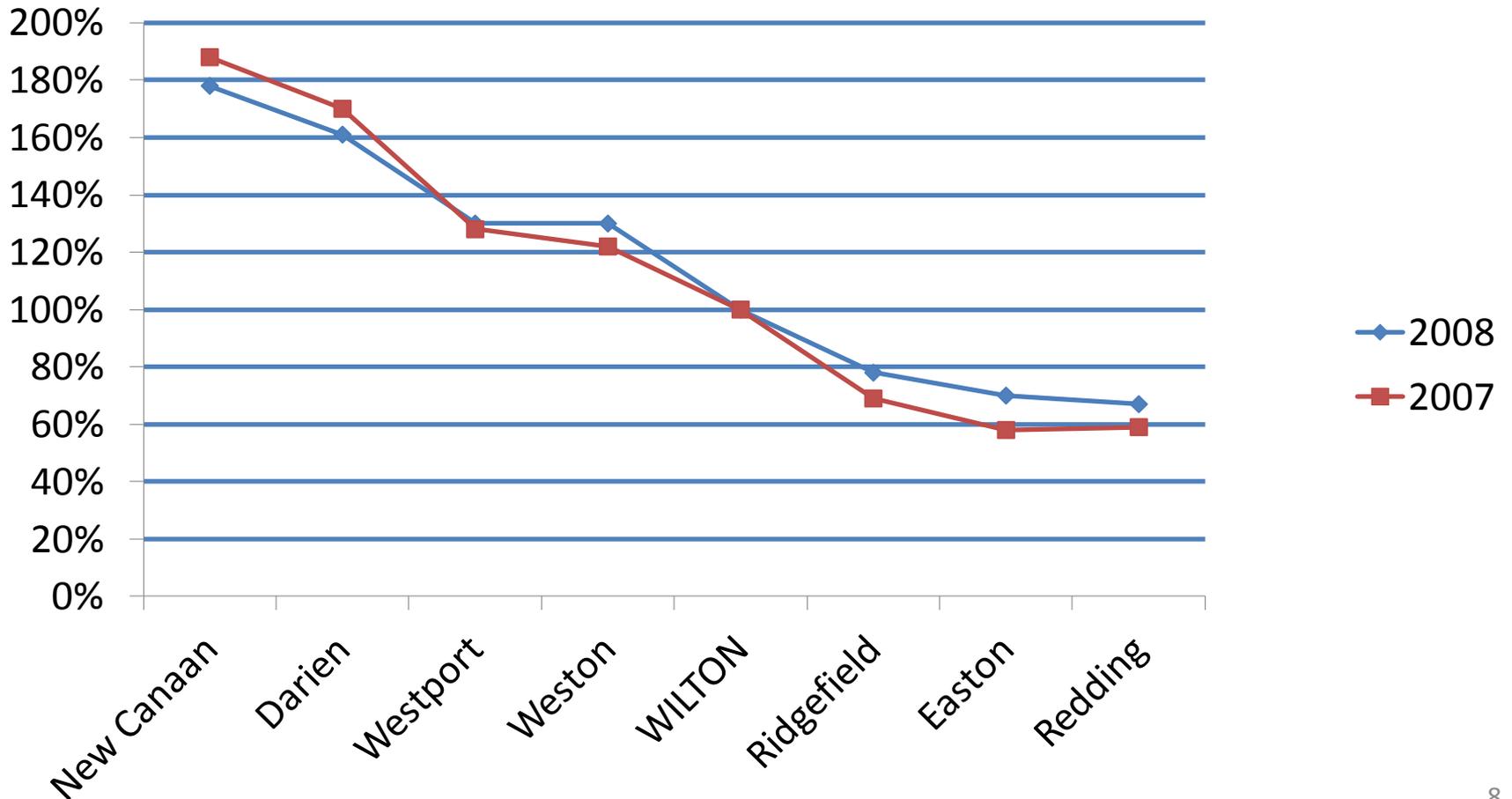


Wilton ranks 5th in Average Earnings significantly lagging upper tier DRG towns

Source: IRS Statistics, by zip code, adjusted growth income

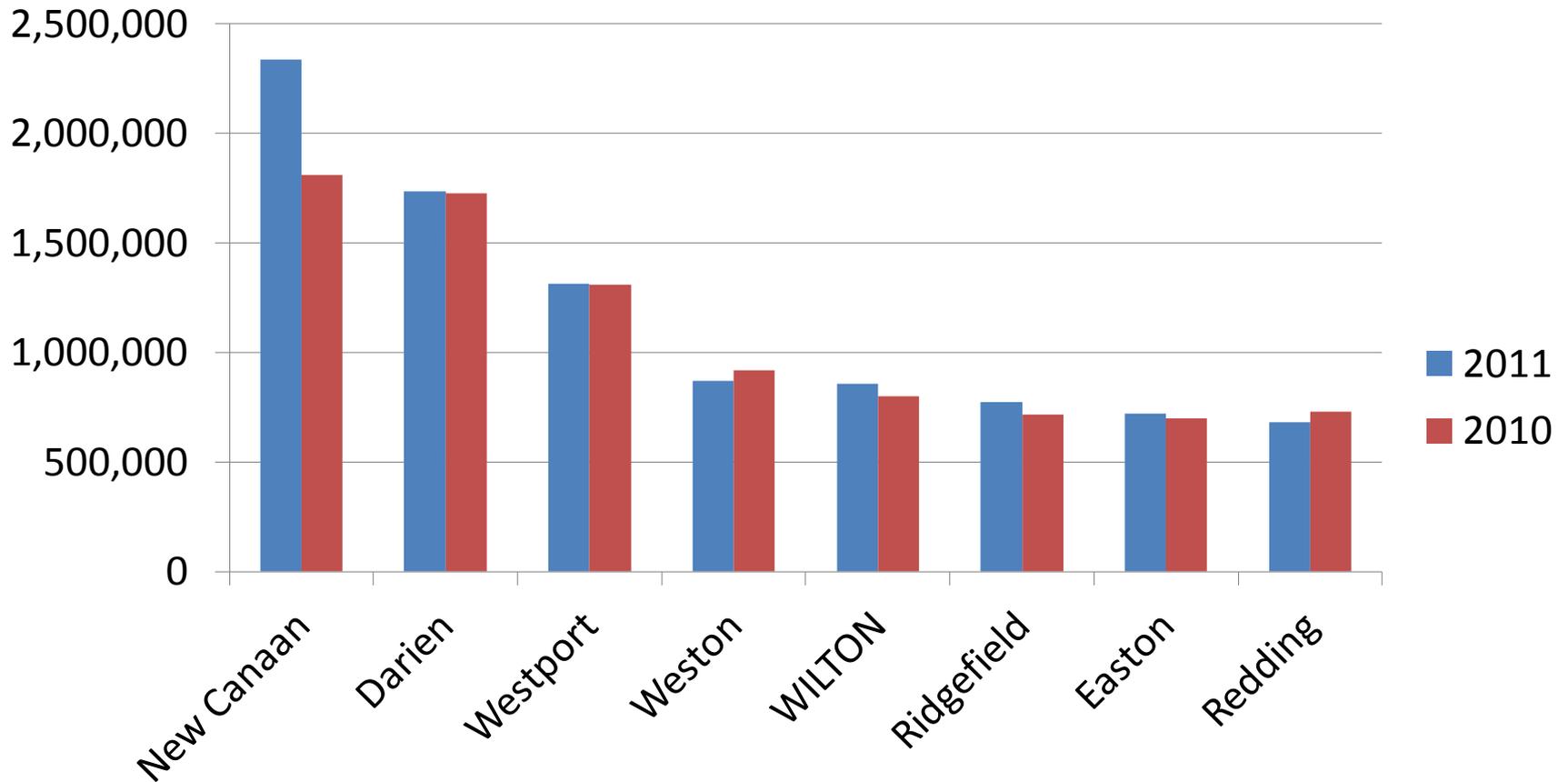


Wilton vs. DRG towns----2008 Average AGI Wilton Significantly Lags the top tier Towns



Wilton Ranks 5th in Average Sales Price significantly lagging upper tier DRG towns

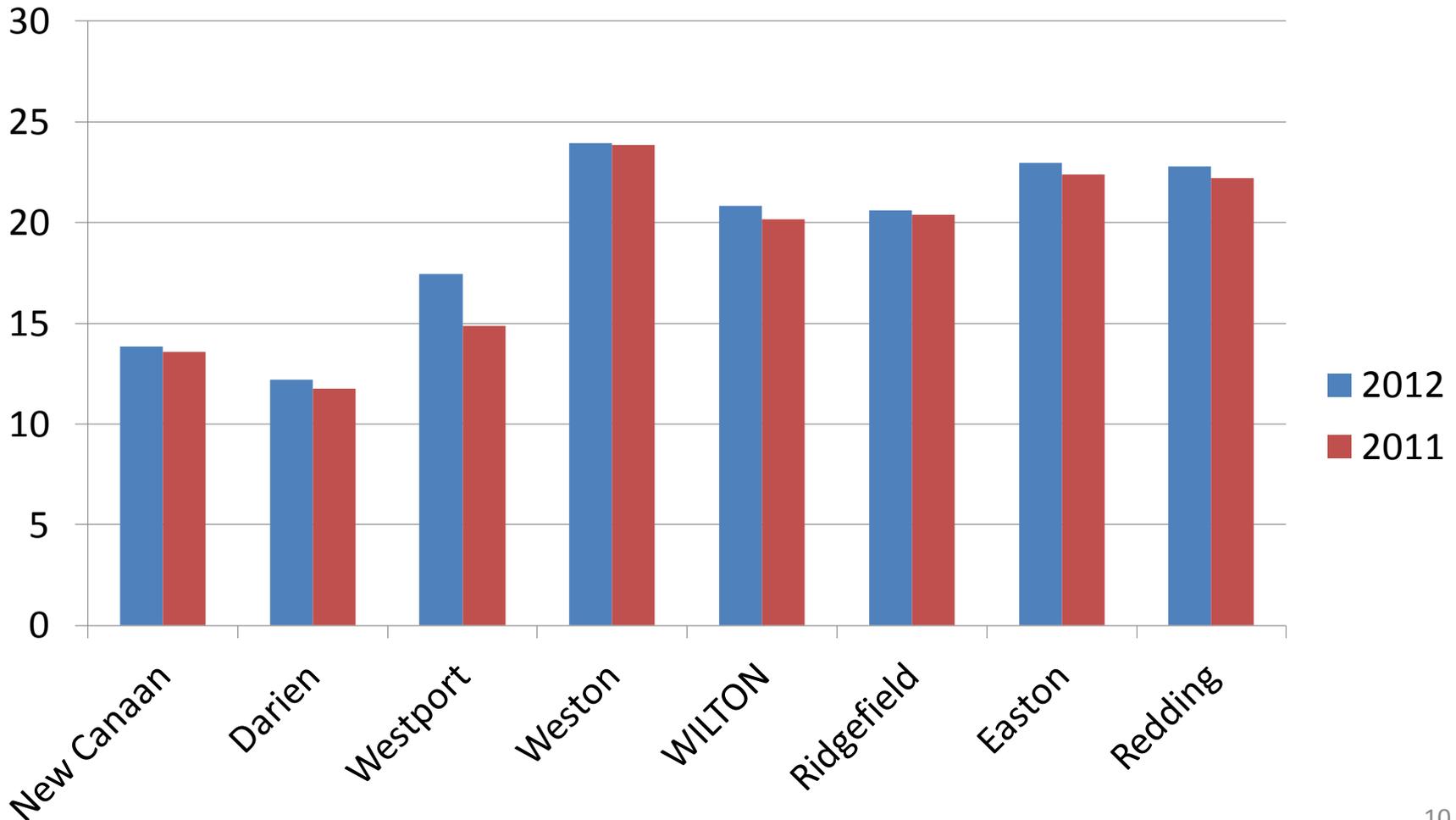
Sales through July 31st, Source: MLS



WILTON HAS THE 4TH HIGHEST MIL RATE, SIGNIFICANTLY HIGHER THAN THE TOP TIER EARNERS

Note: Westport Reval as of 2012

Source: CT Office of Policy Management



Town's Financial Position

SOURCES OF PROPERTY TAX RELIEF CONTINUE TO DECLINE OR SLOW

- **GRAND LIST GROWTH** RATE CONTINUES TO BE A FRACTION OF PRIOR YEARS' GROWTH
- **PRIOR YEAR EXCESS RESERVES** WERE DRAWN DOWN OVER THE LAST FOUR YEARS. THE SOURCES OF THOSE RESERVES ARE NOT EXPECTED TO REPEAT IN THE NEAR TERM
- **BOS NON-PROPERTY TAX REVENUES** CONTINUE TO ANNUALLY TO BE MORE THAN \$2,000,000 LOWER THAN 2008 LEVELS. A CUMMULATIVE LOSS OF \$6,500,000 OVER THE LAST THREE YEARS.
- **TAX COLLECTIONS** SLUMPED IN 2011 TO 98.4% COMPARED TO MORE THAN 99% IN PREVIOUS YEARS

DEMANDS FROM THE DISBURSEMENT SIDE OF THE BUDGET CONTINUE TO INCREASE

- **DEMAND FOR NEED BASED SENIOR AND DISABLED RELIEF HAS ALMOST DOUBLED. FROM APPROXIMATELY \$575,000 TO \$1,100,000**
- **DEBT PAYMENTS WILL INCREASE BY MORE THAN 10% OR \$1M WITHIN THE NEXT THREE YEARS TO SUPPORT ANTICIPATED CAPITAL PROJECTS**

IMPACT OF FUTURE EVENTS

- **SCHOOL ENROLLMENT** SHOULD CONTINUE TO HAVE A FAVORABLE IMPACT ON THE TOWN AS IT IS EXPECTED **DECLINE BY 14%** OR OVER 600 STUDENTS IN THE TEN YEAR PERIOD FROM **2008 TO 2018**
- THE UPCOMING **2012 REVALUATION** WHICH WILL IMPACT THE 2014 MIL RATE IS EXPECTED TO HAVE MIXED RESULTS:
 - LOWER PRICED PROPERTY IS MORE LIKELY TO SEE AN INCREASE IN TAXES, AS THEIR VALUES HAVE REMAINED STRONGER RELATIVE TO THE REST OF THE MARKET
 - THE SITUATION MAY ARISE THAT THOSE LESS LIKELY TO ABSORB THE INCREASE WILL SEE THE HIGHEST INCREASES
 - WESTPORT EXPERIENCED THIS RESULT IN THEIR 2010 REVALUATION

2013 -2015 MIL RATE TARGETS

	<u>2013</u>	<u>2014</u>	<u>2015</u>
MIL RATE	1.73%	1.70%	1.80%
OPERATING COSTS	1.71%	1.70%	1.50%
SENIOR RELIEF	\$875k	\$875k	\$875k

RATIONALE FOR MIL RATE TARGETS

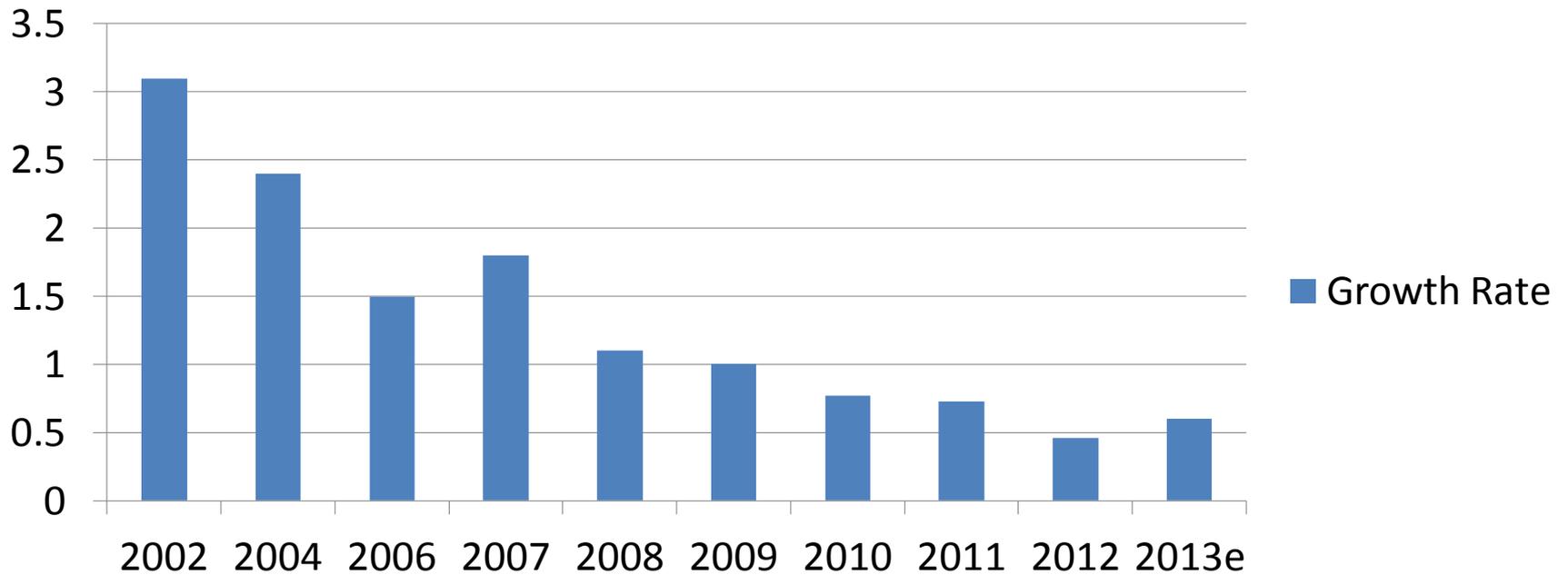
- Taxpayer Capacity to absorb tax increases has decreased as evidenced by **earnings and housing declines**
- Taxpayer Capacity to absorb tax increases has decreased as evidenced by the **results of the 2012 budget vote in May**
- Taxpayer Capacity to absorb tax increases has decreased as evidenced by the recent **decline in the tax collection rate**
- Declines in Real Estate demand emphasize the need to maintain Wilton's **affordability versus surrounding communities**
- **Impact of 2012 Revaluation** is expected to be greatest on those least capable of absorbing large tax increases and should be considered now

**THE FOLLOWING SLIDES WERE
PREPARED IN ANSWER TO QUESTIONS**

BOF Presentation---November, 2011
TOWN'S FINANCIAL POSITION

WHAT ARE HISTORICAL GRAND LIST GROWTH RATES?

Source: Wilton Town Assessors Office



TOWN'S FINANCIAL POSTION

**WHY MUST THE TOWN MAINTAIN AN UNDESIGNATED FUND
BALANCE (RESERVE)?**

HOW DOES THE RESERVE IMPACT THE ANNUAL BUDGET?

- The Town maintains reserves as required to maintain our Aaa bond rating, which assures our ability to borrow and keeps borrowing costs at the lowest possible level
- Excess reserves have been used to offset higher taxes or steeper cuts over the last four years, artificially lowering tax rates. Without these reserves tax increases would have been as follows:
 - 2012: 5.4%, rather than 3.4%
 - 2011: 5.4%, rather than 2.9%
 - 2010: 6.4%, rather than 1.4%
- Reserves have been reduced from a high of 14.4% of operating cost to 10%, the minimum expected by the rating agencies

WHAT MIGHT BE THE IMPACT OF THE 2012 PROPERTY REVALUATION?

- Wilton Property will undergo a property revaluation in 2012 which will be reflected in the property taxes associated with the 2014 budget
- As to what to expect, we can look to Wilton's 2007 revaluation and Westport's 2010 revaluation:
 - Wilton:
 - Weakening of the high end of the market was reflected in the 2007 revaluation. Generally properties valued over \$2,000,000 experienced a decline in assessments and those at the very top received property tax reductions
 - Westport:
 - The mil rate increased from 14.45 to 17.43 due to the overall decline in the grand list
 - 70% of property owners experienced a decrease in their property taxes
 - 30% experienced an increase ranging from 1% to in excess of 20%
 - The lower priced properties tended to experience the larger increase in property taxes, with the higher properties receiving relief

WHAT ARE THE 2011 RESULTS VERSUS BUDGET?

- **THE ESTIMATED NET SURPLUS FOR 2011 IS BE BETWEEN \$3M and \$3.5M**
- **\$2.1M OF THE SURPLUS WAS APPLIED TO THE 2012 BUDGET BASED ON ESTIMATES OF ACTUAL AS OF APRIL, LEAVING \$.9M TO \$1.4M AVAILABLE FOR 2013.**
- THE ESTIMATED NET SURPLUS WAS DERIVED FROM THE FOLLOWING:

Shortfall in property taxes collected	(800,000)
Surplus in BOE budget	1,900,000
Surplus in BOS budget	400,000 to 900,000
Additional collection of back taxes	360,000
Additional revenues	560,000
Unused Charter Authority	570,000

HOW DOES THE STATE SUPPORT SPECIAL EDUCATION COSTS?

- THE STATE PROVIDES A “SPECIAL EDUCATION EXCESS COST GRANT” TO REIMBURSE SPECIFIC COSTS FOR CERTAIN STUDENTS
- AMOUNTS EXPENDED FOR AN INDIVIDUAL STUDENT WHICH EXCEED 4.5 TIMES THE SCHOOL’S AVERAGE COST PER STUDENT (APPROXIMATELY \$70,000 IN 2011) ARE SUBJECT TO REIMBURSEMENT
- IN 2011, THE AMOUNTS QUALIFIED FOR REIMBURSEMENT WERE REIMBURSED AT A 73% RATE, DOWN FROM OVER 80% IN PRIOR YEARS.
- WILTON RECEIVED JUST OVER \$1M OR 7% OF TOTAL SPECIAL EDUCATION COSTS IN 2011

HOW DOES THE BUDGET ACCOUNT FOR THE EXCESS COST SHARING GRANT?

- THE ECS GRANT IS BUDGETED IN A MANNER THAT MINIMIZES THE RISK OF OVER SPENDING IN SPECIAL EDUCATION TO BOTH THE SPECIAL EDUCATION AND REGULAR EDUCATION BUDGETS
- THE ECS GRANT IS BUDGETED WITHIN THE REVENUE LINE OF THE GENERAL TOWN BUDGET. BY BUDGETING THE GRANT OUTSIDE OF THE BOE BUDGET, THE SCHOOLS DO NOT ASSUME THE RISK OF DECREASED FUNDING BY THE STATE
- ALTHOUGH THE BOE DOES NOT BUDGET ANY REVENUE FROM THE GRANT, THEY ARE ALLOCATED A SHARE OF THE GRANT EQUAL TO THE AMOUNT BY WHICH ALL SPECIAL EDUCATION COSTS EXCEED BUDGET UP TO THE VALUE OF THE GRANT
- THIS TREATMENT ENSURES THAT SPECIAL EDUCATION REQUIREMENTS ARE FULLY FUNDED, WITHOUT REDUCTIONS IN THE REGULAR EDUCATION BUDGET TO OFFSET POSSIBLE OVERAGES IN SPECIAL EDUCATION