

**REPORT ON THE CITY'S FINANCIAL CAPABILITY RELATIVE TO
COLLECTIVE BARGAINING AGREEMENTS**



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September 28, 2012**

Introduction:

The City of Norwalk faces a myriad of financial challenges that severely constrain City finances and limit the City's ability to pay higher costs for employee wages and benefits. The nation's economy remains fragile and is only tentatively emerging from the midst of the most severe recession to grip the country since the Great Depression. Millions of Americans have lost their jobs in the last four years, including thousands of residents of Connecticut and Norwalk. The prognosis for a robust economic recovery is grim, with most economists predicting that job and income growth will remain anemic for years. Tax revenues are widely recognized as one of the last economic indicators to rebound from a recession. Clearly, the country is still facing enormous financial challenges that have a direct impact on the financial capability of the City of Norwalk and its taxpayers to pay even for the current level of services. Moreover, Norwalk also faces some unique challenges and competing demands on its financial resources that further erode the City's financial capability and ability-to-pay for increased employee wages and benefits.

This report will examine the economic and financial factors that are impacting the City of Norwalk in order to explain why constraining the cost of employee wages and benefits represents the only feasible way to maintain a tolerable and sustainable property tax burden in Norwalk. Prior to reviewing the specific financial challenges that confront the City, however, it is useful to understand Norwalk's demographic and economic profile, which obviously has a material impact on the City's ability to pay for higher wage and benefit costs for municipal and school employees.

NORWALK'S DEMOGRAPHIC PROFILE

Norwalk is an extraordinarily diverse, multi-cultural community. The City is proud of its heritage of welcoming people of all ethnic, cultural, and religious backgrounds, and is home to people of all incomes levels. The majority of Norwalk residents, however, fall squarely into a working and middle class demographic. Demographic data culled from the 2010 US Census provides insight into the make up of the City. Provided below is a summary of some key demographic data for the City of Norwalk, Fairfield County, and the State of Connecticut.

¹Table 1 - Racial Composition

	City of Norwalk	Fairfield County	State of Connecticut
White	68.7%	74.8%	77.6%
African American	14.2%	10.8%	10.1%
American Indian & Alaska Native	0.4%	0.3%	0.3%
Asian	4.8%	4.6%	3.8%
Some other race	9.0%	6.8%	5.6%
Two or more races	2.8%	2.6%	2.6%
Latino (of any race)	24.3%	16.9%	13.4%

As noted in Table 1, Norwalk's racial composition is significantly more diverse than either Fairfield County or the State of Connecticut as a whole. People of color (non-white) make up 31.3% of Norwalk's population, compared to 25.2% of Fairfield County's population, and 22.4% of the population of the State of Connecticut. Moreover, Norwalk has a large and growing Latino

¹ Tables 1 & 2 - US Census Bureau, 2010 Demographic Profile Data & 2010 American Community Survey 1-Year Estimates (DP02, DP03)

population. Latinos make up 24.3% of Norwalk’s population, compared to 16.9% in Fairfield County and 13.4% in the State of Connecticut.

Table 2 – Economic and Social Characteristics

	City of Norwalk	Fairfield County	State of CT
Median Household Income (2010)	\$67,848	\$74,831	\$64,032
Per Capita Income (2010)	\$43,098	\$44,024	\$35,078
Families below poverty level (2010)	5.3%	7.0%	7.2%
All people under 18 yrs old below poverty line (2010)	11.4%	10.9%	12.8%
Foreign Born (2010)	18.6%	20.2%	13.6%
Native Lang. other than English	22.1%	27.5%	21.3%

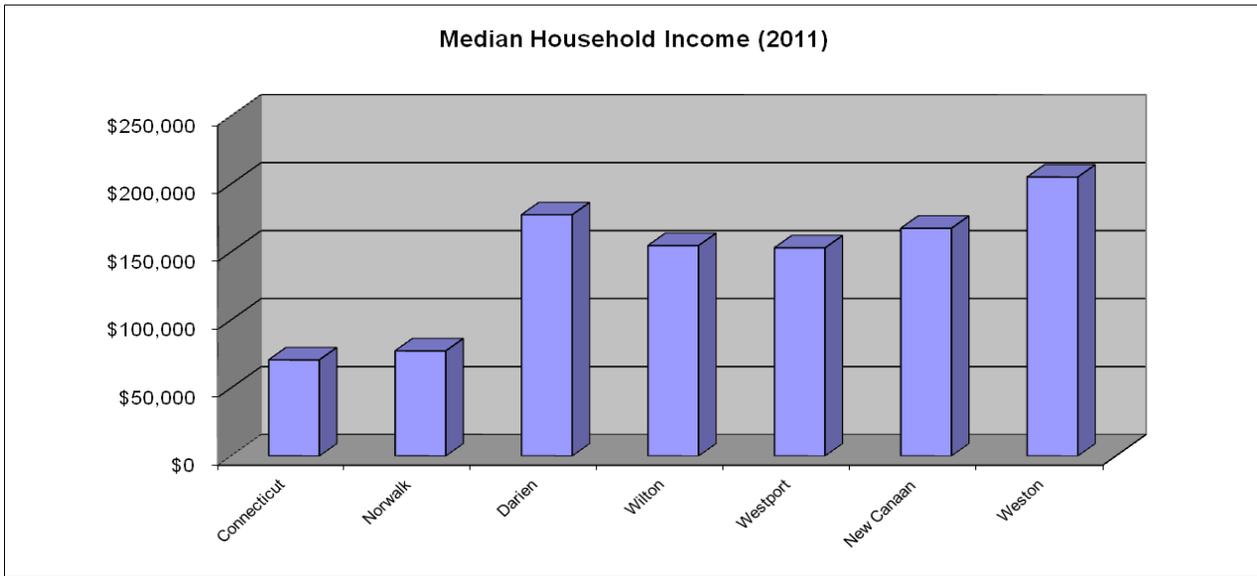
Table 2 above provides comparative data on income, poverty, and other social characteristics for the City of Norwalk, Fairfield County, and the State of Connecticut. While income levels in the City of Norwalk remain slightly higher than the State as a whole, they are below the Fairfield County figures, and well below Norwalk’s wealthy neighboring communities. Moreover, the level of poverty in Norwalk, particularly among children, is alarming. While 5.3% of Norwalk families live below the federal poverty line, 11.4% of our children under the age of eighteen (18) are living in poverty. It is undeniable that higher levels of poverty place additional financial demands upon the City and on the Norwalk Public Schools compared to municipalities that do not accommodate such a diverse population. Children being raised in poverty simply are not afforded the same early educational advantages as children from more prosperous families. Moreover, preparing non-English speaking students for learning is a major challenge for the Norwalk Public Schools that our neighboring communities simply do not confront. The additional financial burden associated with compensating for the disadvantages that many of our students face represents a competing demand on the scarce financial resources of the City of Norwalk.

A more detailed picture of the large income disparities between Norwalk and its Fairfield county neighbors is portrayed in Table 3 below. Norwalk’s 2011 estimated median household income of \$77,327 is far below the median income levels of Darien (\$177,448), New Canaan (\$167,489), Weston (\$205,173), Westport (\$153,055), and Wilton (\$154,763). Moreover, Norwalk’s rate of increase in median household income from 2000 to 2011 is significantly below the State-wide median rate of increase over the same time period.

²Table -3 Median Household Income Fairfield County Towns

MEDIAN HOUSEHOLD INCOME				
	2000	2011	Variance	% Change
Connecticut	\$53,935	\$70,705	\$16,770	31.1%
Norwalk	\$59,839	\$77,327	\$17,488	29.2%
Darien	\$146,755	\$177,448	\$30,693	20.9%
Wilton	\$141,428	\$154,763	\$13,335	9.4%
Westport	\$119,872	\$153,055	\$33,183	27.7%
New Canaan	\$141,788	\$167,489	\$25,701	18.1%
Weston	\$146,697	\$205,173	\$58,476	39.9%

² Table 3 Connecticut Economic Resource Center Inc., Town Profile 2012



³Table 4 – Educational “Need” Statistics – Norwalk & Surrounding Districts

	<u>Students Eligible for Free/Reduced Lunch</u>	<u>% Eligible for Free/Reduced Lunch</u>	<u>Number of English Language Learners (ELL) Students</u>	<u>% ELL Students</u>	<u>Graduation Rate (2009)</u>
Connecticut	191,116	34.4%	30,345	5.5%	92.1%
Norwalk	4,301	39.4%	1,255	11.7%	94.7%
Darien	51	1.1%	14	.3%	99.3%
New Canaan	0	0.0%	23	.6%	99.3%
Weston	34	1.3%	16	.6%	100%
Westport	153	2.7%	68	1.2%	97.9%
Wilton	46	1.1%	20	.5%	99.1%

Norwalk’s diversity and its status as a small, mature city rather than a typical suburb, is also evident in its housing characteristics. Unlike more suburban communities where 90% or more of the housing stock is single-family and owner-occupied, Norwalk’s mix of housing is much more diverse. Norwalk’s housing market has a sizable segment consisting of multi-family units, rental units, and publicly-assisted housing.

Moreover, data from the US Census indicates that Norwalk’s median monthly owner cost (with mortgage) is \$2,728, compared to a statewide figure of \$2,068/month. The median homeowner in Norwalk is paying \$660 or 32% more per month than the median homeowner in the State of Connecticut as a whole. Likewise, Norwalk renters are also paying a 30% premium compared to the statewide figure. The median rent in Norwalk in 2010 was \$1,281/month, compared to a statewide median of \$992/month. So, while 2010 US Census data indicate that Norwalk’s median household income is only 6.0% higher than statewide median household income, housing costs in Norwalk run

³ Table 4 – Connecticut Department of Education, Strategic School Profiles 2009-10

approximately 30% higher than the rest of the State. Table 5 below provides a comparison of key housing characteristics.

⁴Table 5 – Key Housing Characteristics

	City of Norwalk	Fairfield County	State of CT
Owner-Occupied Housing Units (2010)	63.6%	69.0%	68.0%
Renter-Occupied Housing Units (2010)	36.4%	31.0%	32.0%
Single Family, detached homes as a % of total housing units (2010)	44.4%	57.6%	59.0%
Median Value, Single Family home (2010)	\$423,600	\$441,400	\$288,800
Median Monthly Owner Costs (with mortgage, 2010)	\$2,728	\$2,700	\$2,068
Percent of Owners with mortgage equal or greater than 35% of household income	51.8%	39.2%	31.4%
Median Rent (renter-occupied, 2010)	\$1,281	\$1,233	\$992
Percent of Renters with rent equal or greater than 35% of household income	50.3%	49.1%	44.8%

Norwalk does enjoy comparatively high real estate values, as reflected in the US Census Bureau’s estimate of median single-family home value of \$423,600, compared to a statewide median of \$288,800, but we are below the Fairfield County median. Norwalk’s relatively high property values are clearly driven by its proximity to Manhattan and other major employment centers. Nevertheless, Norwalk’s property values pale in comparison to the surrounding municipalities, and while Norwalk’s location results in higher property values than in other parts of Connecticut, it also translates into higher carrying costs for Norwalk’s homeowners.

Moreover, there is increasing evidence that property values in Norwalk are continuing to decline. The June, 2012 Zillow Home Value Index indicates that for the 12 months ending June 2012, Norwalk home values declined by 11.7%, to \$314,500. This 11.7% decline was the worst reported in Fairfield County, and out of Connecticut’s 169 municipalities, it was the 13th worst performance statewide. Median home values in Norwalk and adjacent municipalities are provided in Table 6:

⁵Table 6 – Fairfield County Median Home Values

	<u>Median Value (US Census, 2010)</u>	<u>Zillow Home Value Index, June 2012</u>	<u>YoY Change in Zillow Home Index, 6/12</u>
Connecticut	\$288,800	\$222,600	(5.4%)
Fairfield County	\$441,400	\$345,600	(7.0%)
Norwalk	\$423,600	\$314,500	(11.7%)
Darien	\$1,000,000+	\$1,174,300	(3.9%)
Wilton	Data Not Available	\$679,900	(8.1%)
Westport	\$1,000,000+	\$895,700	(6.1%)
New Canaan	Data Not Available	\$1,100,800	(3.7%)
Weston	Data Not Available	\$730,600	(6.1%)

⁴ Table 5 – US Census Bureau, 2010 American Community Survey, 1-Year Estimates

⁵ Table 6 – US Census Bureau, 2010 estimates; Zillow.com Home Index

The principal conclusions we draw from the demographic data, therefore, are as follows:

- *Norwalk's diverse racial, social, economic and housing composition is more characteristic of a mid-sized Connecticut city than of a typical Fairfield County suburban community.*
- *Norwalk's median household income—the source of funds from which our taxpayers must pay their property taxes—is much closer to the Statewide median than to the median for Norwalk's immediate suburban neighbors. When it comes to household income, Norwalk is more similar to the rest of Connecticut than it is to suburban Fairfield County.*
- *Due to slower income growth in Norwalk compared to Norwalk's Fairfield County neighbors and compared to the rest of the State, Norwalk's financial capacity has diminished relative to the financial capacity of other municipalities in Connecticut.*
- *The price of housing in Norwalk reflects the City's proximity to New York City, and home values are higher in Norwalk than the cost of similar housing in other parts of Connecticut. For Norwalk residents, however, these higher housing costs translate simply into higher carrying costs. Moreover, Norwalk's housing values pale in comparison to the suburban communities in Fairfield County.*

NORWALK’S FINANCIAL EFFORT IN SUPPORT OF PUBLIC EDUCATION

During budget season each year Norwalk’s appropriating body, the Norwalk Board of Estimate and Taxation, holds a public hearing to solicit input on the proposed budget. The Board frequently hears from various constituencies involved in education, including representatives of collective bargaining groups which represent employees of the Norwalk Public Schools. A common refrain heard at this public hearing is the assertion that:

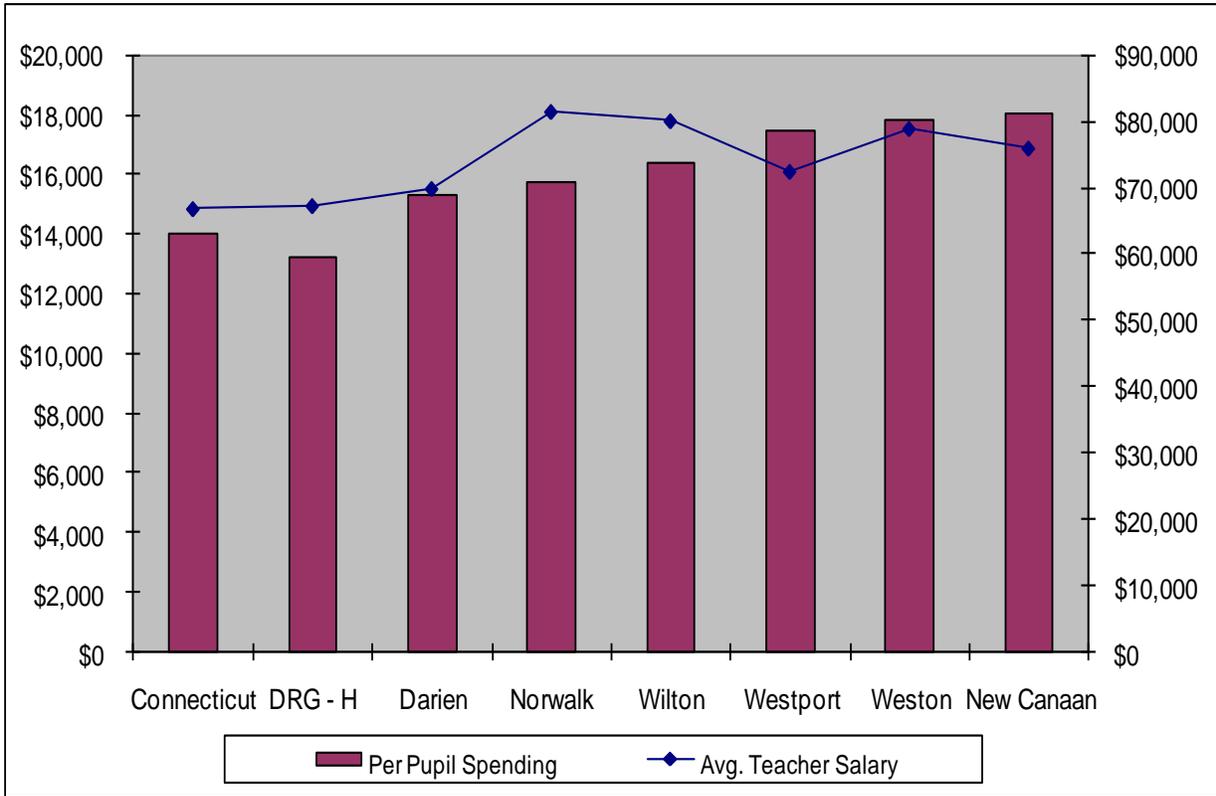
*“Norwalk is underfunding public education” and
“Norwalk needs to place education at the forefront”*

The assertion of some is that Norwalk under-taxes itself, and thereby starves the educational system of necessary funding. Some even complain that Norwalk should be more like our neighboring towns “where education is put in the forefront.” But what does a comparison of educational spending and effort between Norwalk and its wealthy suburban neighbors actually show? The results are surprising.

⁶Table 6 – Selected Educational Statistics – Norwalk & Surrounding Districts

	<u>2009-10 Per Pupil Spending</u>	<u>2010-11 Avg. Elem. Teacher Salary</u>	<u>Avg. Class Size (Gr. 5)</u>	<u>% of Students Eligible for Free/Reduced Lunch</u>	<u>% of Students not Fluent in English</u>	<u>Median Household Income</u>
Connecticut	\$14,031	\$66,868	21.1	32.6%	5.4%	\$70,705
DRG - H	\$13,213	\$67,323	21.0	47.0%	12.2%	n/a
Norwalk	\$15,727	\$81,452	20.6	39.5%	11.7%	\$77,327
Darien	\$15,322	\$69,890	22.4	1.1%	0.3%	\$177,448
New Canaan	\$18,058	\$75,958	22.0	0.0%	0.6%	\$167,489
Weston	\$17,837	\$78,893	23.5	1.3%	0.6%	\$205,173
Westport	\$17,454	\$72,459	20.1	2.7%	1.2%	\$153,055
Wilton	\$16,411	\$80,064	20.8	1.1%	0.5%	\$154,763

⁶ Table 6 – Connecticut Department of Education, Strategic School Profiles 2009-10; SDE website
Median HH Income – CT Economic Resources Center, Town Profile, 2012



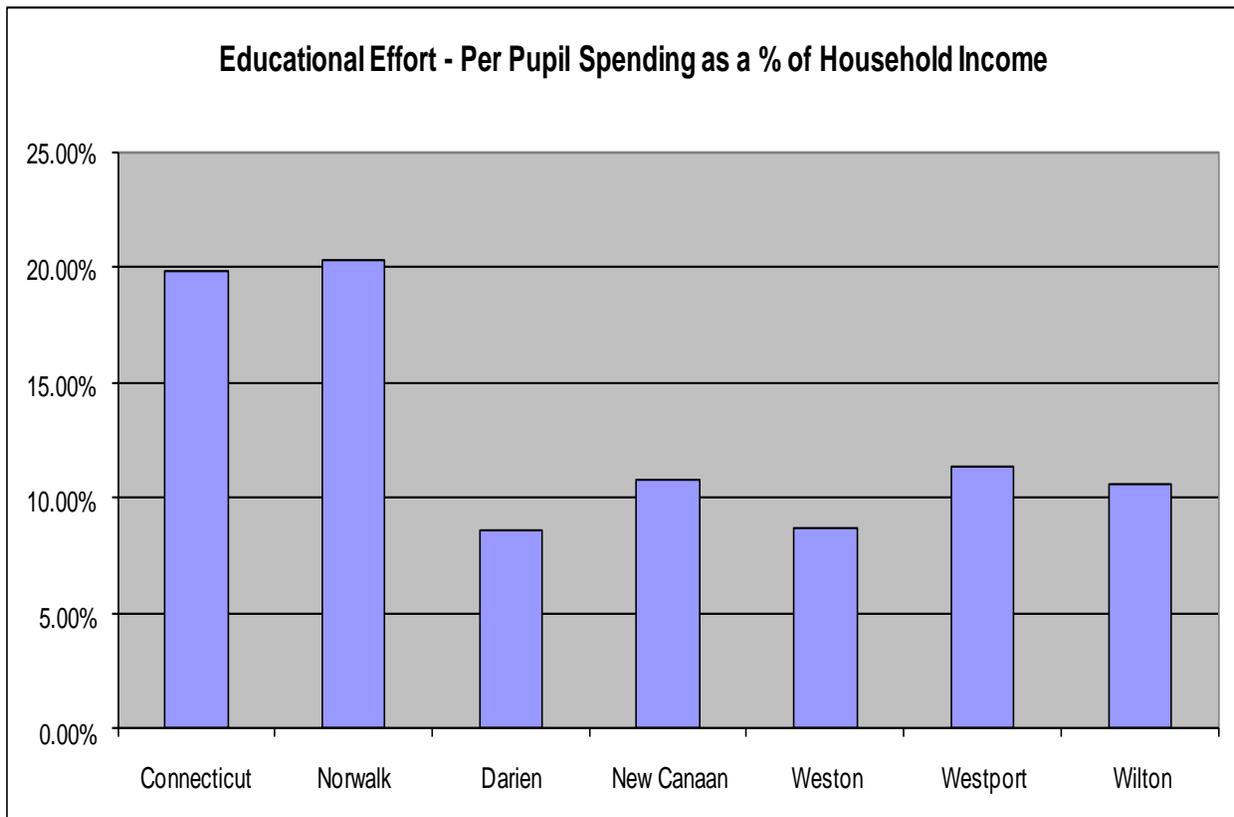
Norwalk’s per pupil spending of \$15,727 is \$1,696 or 12% higher than the statewide average, and \$2,514 or 19% higher than District Reference Group-H (DRG-H) of which Norwalk is a part. The State has grouped Connecticut’s school districts into nine (9) separate DRG’s, reflecting similar family and student background characteristics. The other communities in DRG-H are Ansonia, Danbury, Derby, East Hartford, Meriden, Norwich, Stamford, and West Haven. Norwalk’s neighboring communities listed in Table 6 are all classified in DRG-A, reflecting the wealthy socioeconomic characteristics of these districts. Despite Norwalk’s far lower household income, Norwalk actually spends more per pupil than Darien, and nearly as much as Wilton, so even among our far wealthier neighbors, Norwalk’s per pupil spending is clearly competitive.

Even more surprising, average teacher salaries in Norwalk are among the highest in the State. According to the State Department of Education, the average elementary teacher in Norwalk was paid \$81,452 in FY 2010-11, compared to a statewide average of \$66,868. Norwalk teachers are paid \$14,584 or nearly 22% more than the average teacher statewide. In addition, Norwalk teachers are paid more than their counterparts in our far wealthier neighboring communities; in some cases substantially more (see Table 6). Norwalk has managed to pay its teachers better than all of the surrounding districts, despite facing municipal challenges that these other districts do not face.

Moreover, a community’s “effort” to support public education is measured not just by the absolute level of spending; the taxpayers’ ability-to-pay needs to be taken into consideration. Table 7 below provides a simple ratio of per pupil spending as a percentage of median household income. Per pupil spending in Norwalk as a percentage of median household income is nearly 19%, about double the rate of Norwalk’s neighbors. In this light, it is clear that Norwalk taxpayers are making a far greater “effort” to support public education than the taxpayers in any of the communities surrounding Norwalk.

⁷Table 7 – Educational “Effort” – Norwalk and Surrounding Districts

	<u>Per Pupil Spending</u>	<u>Median Household Income</u>	<u>Education “Effort”</u>
Connecticut	\$14,031	\$70,705	19.8%
Norwalk	15,727	77,327	20.3%
Darien	15,322	177,448	8.6%
New Canaan	18,058	167,489	10.8%
Weston	17,837	205,173	8.7%
Westport	17,454	153,055	11.4%
Wilton	16,411	154,763	10.6%



In conclusion, the data clearly demonstrate that Norwalk does not under-fund public education, and that Norwalk’s effort to support the public schools and put education in the forefront surpasses the effort made by Norwalk’s far wealthier neighbors.

⁷ Table 7 – CT Dept. of Ed., Strategic School Profiles 2009-10, CT Economic Resource Center Inc, Town Profile 2012

NATIONAL AND REGIONAL ECONOMIC ENVIRONMENT

The nation's economy is still dealing with the aftermath of an economic crisis of unprecedented proportions. The debacle which started with the collapse of the sub-prime mortgage security sector ultimately caused the nation's financial system to freeze up -- liquidity in the market vanished. All five of the nation's independent investment banks were forced into bankruptcy, a liquidation sale, or to transition from an independent investment bank to a bank holding company. The Federal government took control of the nation's leading providers of liquidity in the secondary mortgage market -- Fannie Mae and Freddie Mac. Moreover, in order to stem the complete collapse of the nation's financial system, the Congress passed a sweeping \$700 billion emergency bailout program for troubled financial institutions, and to stem an even larger worldwide financial crisis, the Federal government was forced to bail out the world's largest private insurance company, AIG. Analysts consider the events of 2008 to be the most severe economic crisis the country has faced since the Great Depression.

With a non-functioning financial sector, it did not take long for the rest of the nation's economy to experience a sudden and severe contraction. A recession began in the United States in December 2007, and businesses of all sizes and sectors have been beset by huge reductions in business activity and employment, particularly since the liquidity crisis which hit in the fall of 2008. Since the start of the recession the number of unemployed persons increased by 7.8 million, and ultimately peaked at 15.3 million.

As of June 2012, the nation's unemployment rate was still 8.2%, with 12.8 million unemployed persons.⁸ Despite the passage of a \$700 billion federal stimulus package, the nation's economy has continued to stumble, with only meager signs of improvement in employment. With the economy limping along, economists are generally of the opinion that it will take years to fully recover the millions of jobs that were lost in the past five years.

In Connecticut, as of June 2012, 154,600 persons were unemployed, representing an unemployment rate of 8.1%, roughly matching the nationwide unemployment rate. At the start of the recession, Connecticut's unemployment rate stood at only 4.9%. Moreover, the official figures undoubtedly understate true unemployment, since they don't include those who are under-employed, or who have given up looking.

In the Bridgeport-Norwalk-Stamford Labor Market Area, as of June 2012, 38,413 persons remain unemployed, representing an unemployment rate of 7.8%. And in the City of Norwalk, 3,361 individual are currently unemployed, and the City's unemployment rate stands at 6.7%.

⁹**Table 7 – Employment Statistics (seasonally adjusted)**

	June 2012 Employment	June 2012 Unemployed	June 2012 Unemployment Rate
United States	142,415,000	12,749,000	8.2%
State of CT	1,764,200	154,600	8.1%
Bridgeport/Stamford LMA	454,360	38,413	7.8%
City of Norwalk	47,084	3,361	6.7%

⁸ US Bureau of Labor Statistics

⁹ Connecticut Department of Labor, Labor Market Information, Office of Research

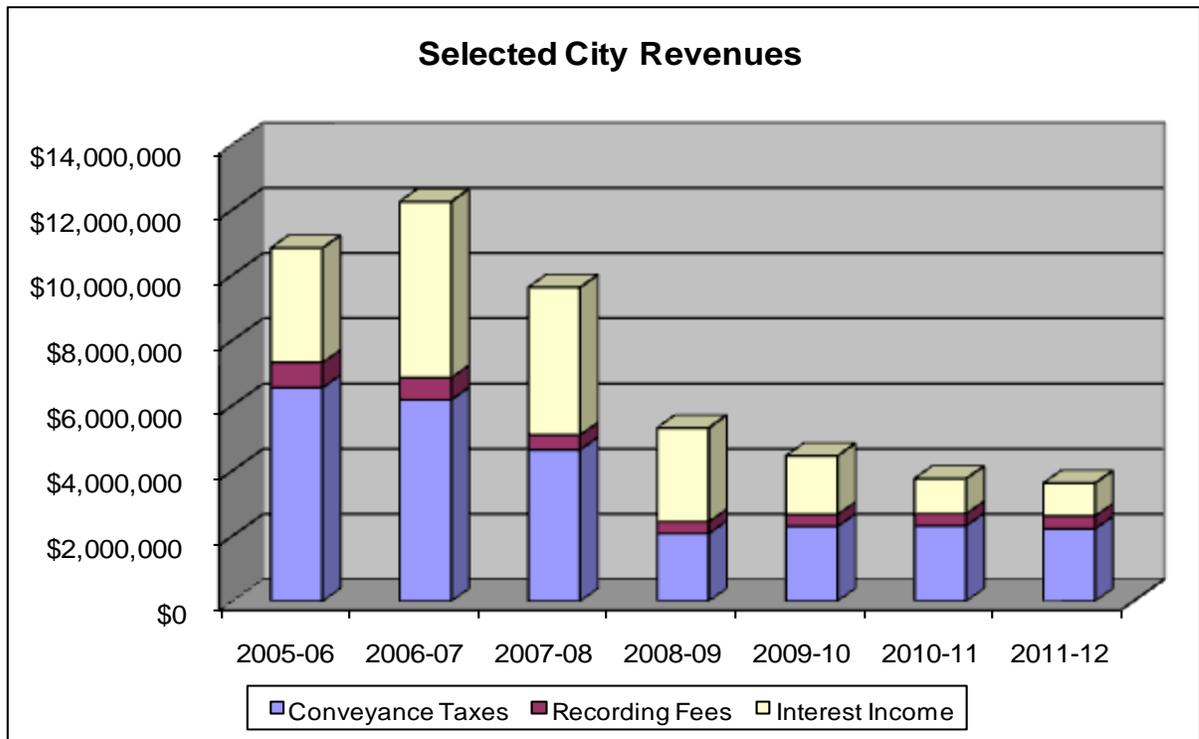
NORWALK'S REVENUE AND EXPENDITURE TRENDS

As a result of the economic downturn, several significant sources of city revenue have declined materially, and collections continue to remain at depressed levels. The tight credit market and increasing regional unemployment have reduced both the number and value of residential and commercial property sales. During FY 2005-06, the City collected more than \$6.5 million from the real estate conveyance tax. Collections during FY 2011-12 were only \$2.2 million, a drop of \$4.3 million or 66% compared to six-years earlier.

The City has also experienced reductions in Town Clerk recording fees and interest income as well. In the past six years, Town Clerk recording fees have declined by 49%, while interest income has declined by a whopping 81% in the past five years. Table 8 below contains a history of revenue from the real estate conveyance tax, Town Clerk recording fees, and interest income.

Table 8 – Conveyance Taxes, Recording Fees & Interest Income

FISCAL YEAR	CONVEYANCE TAXES	VARIANCE	% CHANGE
2011-12	\$2,217,496	(\$95,593)	-4.1%
2010-11	\$2,313,089	\$19,794	.9%
2009-10	\$2,293,295	\$218,950	10.6%
2008-09	\$2,074,345	(\$2,564,705)	-55.3%
2007-08	\$4,639,050	(\$1,534,972)	-24.9%
2006-07	\$6,174,022	(\$372,041)	-5.7%
2005-06	\$6,546,063	\$431,652	7.1%
	RECORDING FEES	VARIANCE	% CHANGE
2011-12	\$392,385	\$22,845	6.2%
2010-11	\$369,540	\$5,960	1.6%
2009-10	\$363,580	\$1,233	.3%
2008-09	\$362,347	(\$95,406)	-20.8%
2007-08	\$457,753	(\$219,413)	-32.4%
2006-07	\$677,166	(\$94,785)	-12.3%
2005-06	\$771,951	(\$34,954)	-4.3%
	INTEREST INCOME	VARIANCE	% CHANGE
2011-12	\$1,004,262	(\$69,363)	-6.5%
2010-11	\$1,073,625	(\$324,545)	-23.2%
2009-10	\$1,794,487	(\$1,079,989)	(37.6%)
2008-09	\$2,874,476	(\$1,645,861)	(36.4%)
2007-08	\$4,520,337	(\$874,517)	(16.2%)
2006-07	\$5,394,854	\$1,888,169	53.8%
2005-06	\$3,506,685	\$735,628	26.6%



The city uses these revenues to support its general fund operating budget. Between FY 2007 and FY 2012, the annual revenues produced by these three sources alone declined by \$8.6 million, or 70%. The City has been forced to make up for these lost revenues by raising property taxes.

At the same time, Norwalk has been faced with reduced amounts of State aid for many years. In FY 1991, intergovernmental revenue comprised more than 17% of total City revenues; for FY 2012, intergovernmental revenue comprises 5.6% of the City budget. In absolute terms (without adjusting for inflation), in the last ten years Norwalk’s intergovernmental revenue has dropped by \$3.7 million, or 19%. Table 9 below provides a history of intergovernmental revenue to the City of Norwalk, which demonstrates the significant reduction in State aid available to support City and Board of Education operations.

Table 9 – History of Intergovernmental Revenue

<u>Fiscal Year</u>	<u>Intergovernmental Revenue</u>	<u>Variance</u>	<u>% Change</u>	<u>% of Total City Revenue</u>
	10 Year Change	(\$3,740,229)	-18.8%	
2012 (budget)	\$16,194,409	\$237,470	1.5%	5.6%
2011	\$15,956,939	\$876,246	5.8%	5.4%
2010	\$15,080,693	(\$1,960,674)	-11.5%	5.6%
2009	\$17,041,367	(\$52,446)	-0.3%	6.4%
2008	\$17,093,813	(\$275,142)	-1.6%	6.5%
2007	\$17,368,955	\$380,936	2.2%	6.9%
2006	\$16,988,019	\$265,618	1.6%	7.0%
2005	\$16,722,401	(\$224,445)	-1.3%	7.2%
2004	\$16,946,846	(\$447,370)	-2.6%	7.9%
2003	\$17,394,216	(\$2,540,422)	-12.7%	8.3%
2002	\$19,934,638	(\$690,146)	-3.4%	10.1%

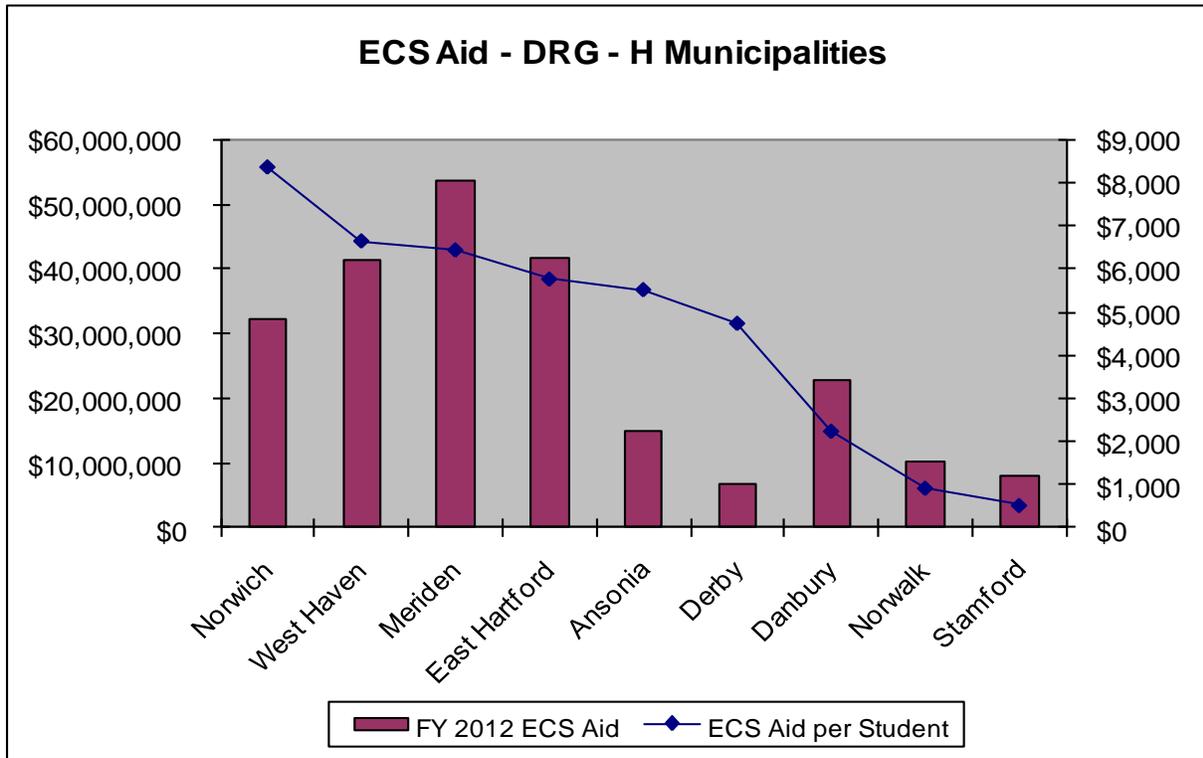
Moreover, the absolute level of State education funding to Norwalk has long been a source of concern for Norwalk taxpayers. With its proximity to Manhattan, Norwalk’s real estate values have always outstripped the real estate values in communities comparable to Norwalk in other parts of the State. One of the major determinants of State Education Cost Sharing (ECS) aid is the “Net Equalized Grand List Per Capita,” which is driven by property values. In reality, Norwalk’s relatively high property values have little to do with the ability of our taxpayers to pay higher taxes. For recent residents, higher property values translate simply into higher mortgage payments or higher rents, and in many cases homeowners who are “underwater” on their mortgages. For these residents, higher property values are a drain on their cash flow. And many long time residents find themselves “house rich” but “cash poor.” These residents, many on fixed incomes, are finding it increasingly difficult to pay their taxes and some are being forced to move out of Norwalk.

Because of relatively high property values, Norwalk receives a fraction of the ECS aid of most other communities similar to Norwalk. Provided below in Table 10 is a comparison of ECS aid for Norwalk and the other municipalities in District Reference Group (DRG) – H.

¹⁰**Table 10 – ECS Aid Comparison**

	FY 2012 ECS Aid	Population (2010 census)	Student Enrollment (10/2009)	Per Capita ECS Aid	ECS Aid per Student
Norwalk	\$10,095,131	85,603	10,856	\$118	\$930
Ansonia	\$15,031,668	19,249	2,725	\$781	\$5,516
Danbury	\$22,857,956	80,893	10,175	\$283	\$2,246
Derby	\$6,865,689	12,902	1,449	\$532	\$4,738
East Hartford	\$41,710,817	51,252	7,242	\$814	\$5,760
Meriden	\$53,783,711	60,868	8,361	\$884	\$6,433
Norwich	\$32,316,543	40,493	3,871	\$798	\$8,348
Stamford	\$7,978,877	122,643	15,036	\$65	\$531
West Haven	\$41,399,303	55,564	6,234	\$745	\$6,641

¹⁰ Connecticut Department of Education website, Bureau of Grants Management



Even when Norwalk is compared to municipalities which are demonstrably wealthier and with far less poverty, such as Cheshire, Milford, Southington, and West Hartford, Norwalk’s ECS Aid is still a fraction of the amount that these communities receive on either a per capita or per student basis. Cheshire, for instance, has a median household income of \$111,416 (which is 44% higher than Norwalk) and a poverty rate of only 2.4%, compared to Norwalk’s individual poverty rate of 8.2%. And yet, Cheshire receives more than double Norwalk’s ECS aid per student. Table 11 provides a comparison of ECS Aid between Norwalk and selected wealthier communities in the State.

¹¹Table 11 – ECS Aid Comparison with Selected Wealthier Communities

	FY 2012 ECS Aid	Median Household Income	10/2009 Student Enrollment	Per Capita ECS Aid	ECS Aid per Student
Norwalk	\$10,095,131	\$77,327	10,856	\$118	\$930
Cheshire	\$9,298,837	\$111,416	4,947	\$320	\$1,880
Milford	\$10,728,519	\$78,738	7,129	\$192	\$1,505
Southington	\$19,839,108	\$79,840	6,797	\$470	\$2,919
West Hartford	\$16,076,120	\$82,412	10,184	\$254	\$1,579

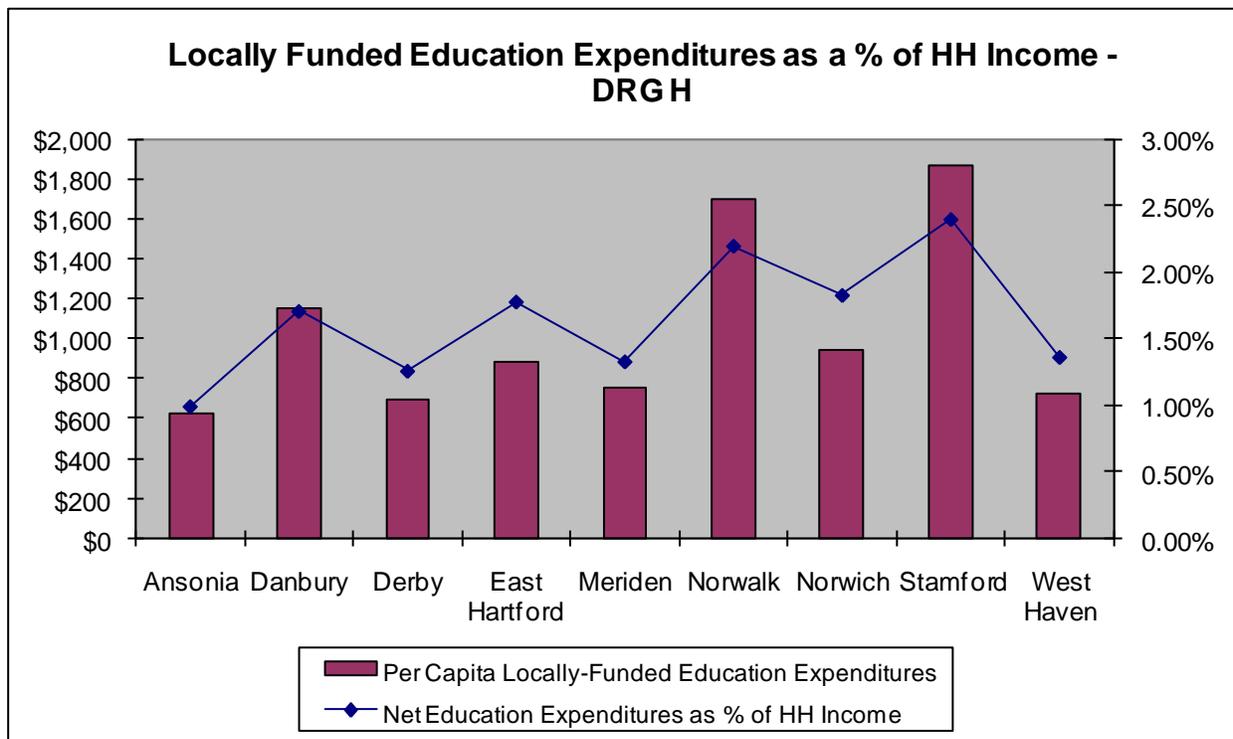
The lack of adequate State education funding for Norwalk means that Norwalk property taxpayers must assume a disproportionate share of the cost of education compared to similarly situated communities. Ninety-three percent (93%) of Norwalk’s education budget is funded from local Norwalk taxpayers. Taken as a whole, DRG – H communities contribute on average only 74% of the cost of public education in their respective communities, and this percentage is skewed greatly

¹¹ Connecticut Department of Education website, Bureau of Grants Management
CT Economic Resource Center Inc, Town Profile 2012

by Norwalk and Stamford. Three of the cities in DRG – H contribute less than 50% of the cost of education in their respective communities. Furthermore, when we compare the locally funded portion of education costs on a per capita basis with median household income, we find that locally funded education costs in Norwalk consume a significantly greater portion of household income than in all but one of the nine communities in DRG – H. Table 12 below compares the locally funded education budgets of the communities in DRG – H with median household income.

¹²Table 12 – Locally Funded Education Expenditures – DRG - H

	Gross Education Budget	Net, Locally Funded Educ. Budget	% Funded with Local Taxes	Pop.	Median HH Income	Per Capita Locally Funded Education	Locally Funded Educ. As % of HH Income
Stamford	\$236,717,158	\$228,738,281	96.6%	122,643	\$77,827	\$1,865	2.40%
Norwalk	\$155,494,990	\$145,399,859	93.5%	85,603	\$77,327	\$1,699	2.20%
Norwich	\$70,385,212	\$38,068,669	54.1%	40,493	\$51,436	\$940	1.83%
East Hartford	\$85,766,419	\$44,055,602	51.4%	49,772	\$49,772	\$885	1.78%
Danbury	\$116,003,866	\$93,145,910	80.3%	80,893	\$67,432	\$1,151	1.71%
West Haven	\$81,924,049	\$40,524,746	49.5%	55,564	\$53,500	\$729	1.36%
Meriden	\$99,609,841	\$45,826,130	46.0%	60,868	\$56,596	\$753	1.33%
Derby	\$15,858,944	\$8,993,255	56.7%	12,902	\$55,338	\$697	1.26%
Ansonia	\$27,000,000	\$11,968,332	44.3%	19,249	\$62,522	\$622	0.99%

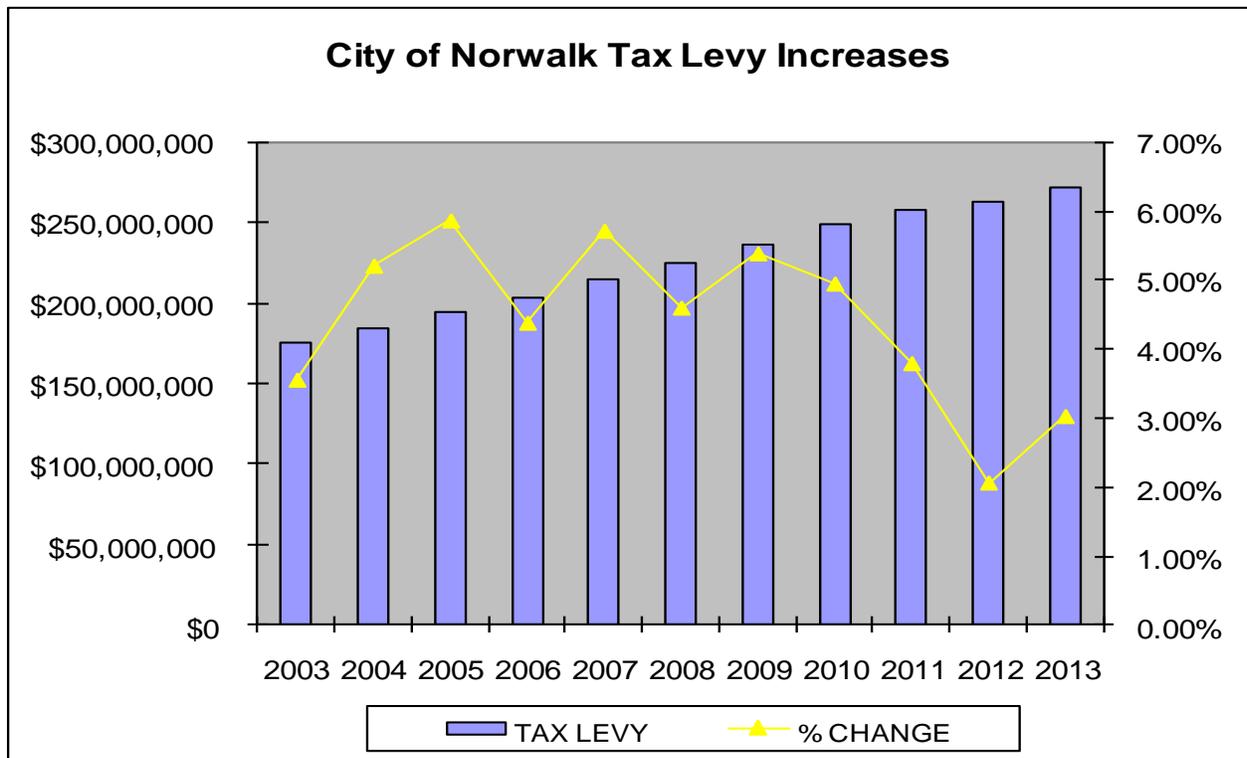


¹² FY 2013 Budget information from Town/City websites, with the exception of Derby and West Haven which represents prior year ; population and median HH income from 2012 CERC Town Profiles

As a result of inadequate State aid, the City has been forced to increase property taxes by \$96.4 million, or more than 55% in the past ten years. The approved City budget for FY 2012-13 alone increased the tax levy by \$7.94 million, or 3.0%. This increase in taxes was necessary despite the fact that the direct Education budget was held to an increase of just .4% for FY 2012-13, and the overall budget contained an expenditure increase of just 3.0%. Table 13 below provides a history of tax levy increases from FY 2002-03 to FY 2012-13.

¹³Table13 – History of City Tax Levy

<u>FISCAL YEAR</u>	<u>TAX LEVY</u>	<u>VARIANCE</u>	<u>% CHANGE</u>
	10 Year Increase	\$96,439,219	55.2%
2013	\$271,290,050	\$7,938,787	3.02%
2012	\$263,351,263	\$5,288,376	2.05%
2011	\$258,062,887	\$9,420,988	3.79%
2010	\$248,641,899	\$11,720,340	4.95%
2009	\$236,921,559	\$12,118,282	5.39%
2008	\$224,803,277	\$9,892,719	4.60%
2007	\$214,910,558	\$11,622,781	5.72%
2006	\$203,287,777	\$8,528,266	4.38%
2005	\$194,759,511	\$10,794,928	5.87%
2004	\$183,964,583	\$9,113,752	5.21%
2003	\$174,850,831	\$5,988,161	3.55%



¹³ City of Norwalk Finance Department, budget documents

Most of the increase in Norwalk’s tax levy has come from increases in the tax rate, not new growth in the grand list. Based on information from the Norwalk Tax Assessor, real growth in the tax base (excluding market value changes reflected during revaluation) has been very modest in Norwalk. More recently, grand list growth has been essentially non-existent. As noted in Table 14 below, excluding the impact of revaluation, real growth in the grand list has averaged just 1.1% per year in the past ten years. For the most recent year, grand list growth was less than 2/10 of 1%.

¹⁴**Table 14 – Real Growth in Norwalk Grand List**

<u>GL Year</u>	<u>Growth</u>	<u>Growth %</u>
2011	\$22,102,148	.17%
2010	\$118,608,247	.94%
2009	\$11,927,328	.09%
2008	\$119,659,750	1.22%
2007	\$146,362,000	1.39%
2006	\$155,196,896	1.64%
2005	\$153,505,675	2.30%
2004	\$79,140,235	1.20%
2003	\$73,260,892	1.12%
2002	\$66,621,800	1.03%

In order to mitigate the impact of declining State and local revenues, Norwalk has taken extraordinary steps to constrain spending. Provided below in Table 15 is a ten-year summary of City and Board of Education adopted budgets. The City eliminated twenty-four (24) full time, non-public safety positions from the budget in FY 2009-10, or 7% of our civilian workforce. In FY 2010-11, all City employees (excluding Board of Education) took a wage freeze, with many bargaining groups re-opening their contracts in order to do so. Most of the groups took a hard freeze which meant no general wage increase, and no step increase.

The City has also taken extraordinary steps to improve the efficiency of City operations by contracting out selected services to the private sector. In the past decade, the City created a Water Pollution Control Authority and Parking Authority, and contracted out these functions to private companies. Moreover, these authorities were established as enterprise fund operations and were funded on a user fee basis, to lessen the burden on the City’s taxpayer. More recently, the City has contracted out residential solid waste collection services, effective October 2012, as a cost saving measure. At this point, it is difficult to see how the City can reduce staff further without a drastic reduction in services.

¹⁵**Table 15 – History of City Budgets**

Fiscal Year	Education	Change	%	City	Change	%	Debt Service	Change	%
2012-13	\$155,494,990	\$693,501	.4%	\$115,669,104	\$7,573,400	7.0%	\$25,678,273	\$367,590	1.5%
2011-12	\$154,801,489	\$5,058,408	3.4%	\$108,095,704	\$2,330,027	2.2%	\$25,310,683	\$159,152	.6%
2010-11	\$149,743,081	(\$1,440,222)	(.95%)	\$105,765,677	\$5,425,496	5.4%	\$25,151,531	(\$1,979,604)	(7.3%)
2009-10	151,183,303	\$2,964,378	2.0%	100,340,181	571,883	0.6%	\$27,131,135	1,433,724	5.6%

¹⁴ City of Norwalk Tax Assessor

¹⁵ City of Norwalk Finance Department, budget documents

Fiscal Year	Education	Change	%	City	Change	%	Debt Service	Change	%
2008-09	148,218,925	6,662,728	4.7%	99,768,298	2,443,462	2.5%	25,697,411	2,232,913	9.5%
2007-08	141,556,197	5,182,803	3.8%	97,324,836	4,577,502	4.9%	23,464,498	2,736,398	13.2%
2006-07	136,373,394	3,631,938	2.7%	92,747,334	8,331,154	9.9%	20,728,100	3,339,207	19.2%
2005-06	132,741,456	5,411,522	4.2%	84,416,180	3,722,070	4.6%	17,388,893	2,797,785	19.2%
2004-05	127,329,934	6,234,934	5.1%	80,694,110	1,636,730	2.1%	14,591,108	2,553,800	21.2%
2003-04	121,095,000	4,095,000	3.5%	79,057,380	799,977	1.0%	12,037,308	(128,737)	-1.1%
2002-03	117,000,000	7,303,030	6.7%	78,257,403	(982,303)	-1.2%	12,166,045	(3,426,068)	-22.0%

NORWALK'S FINANCIAL PERFORMANCE & BOND RATING

Financial Operating Results:

For the first time since FY 2001-02, the City ran operating deficits during both FY 2008-09 and FY 2009-10. FY 2009 Audited results indicate that on a GAAP basis, the City collected revenues of \$278,839,115 and incurred expenditures of \$286,727,133, resulting in a net operating deficit of \$7,888,018 for FY 2008-09. The approved budget had planned for a fund balance drawdown of \$3.5 million, so actual results were nearly \$4.4 million worse than planned. This unanticipated operating deficit was caused by a sharp decline in revenues, particularly a \$3.5 million shortfall in fees and charges (primarily real estate conveyance tax), and a \$1.7 million shortfall in property tax collections. In order to mitigate the impact of the revenue shortfalls, the City made mid-year expenditure reductions during FY 2008-09 that saved the City approximately \$3.2 million in planned expenses. Without this corrective action, the City's operating deficit would have been much larger.

For FY 2009-10, the City's audited results indicate that the City ran its second consecutive operating deficit. Audited GAAP revenues were \$285,935,540, and expenditures totaled \$287,177,972, resulting in an operating loss of \$1,242,432. With other financing sources, the net decline in fund balance for FY 2009-10 was \$887,044.

For FY 2010-11, the City finally returned to favorable operating results, with GAAP revenues exceeding expenditures by \$1.4 million. Unaudited results of operation for FY 2011-12 indicate that the City will end the year with tightly balanced operating results.

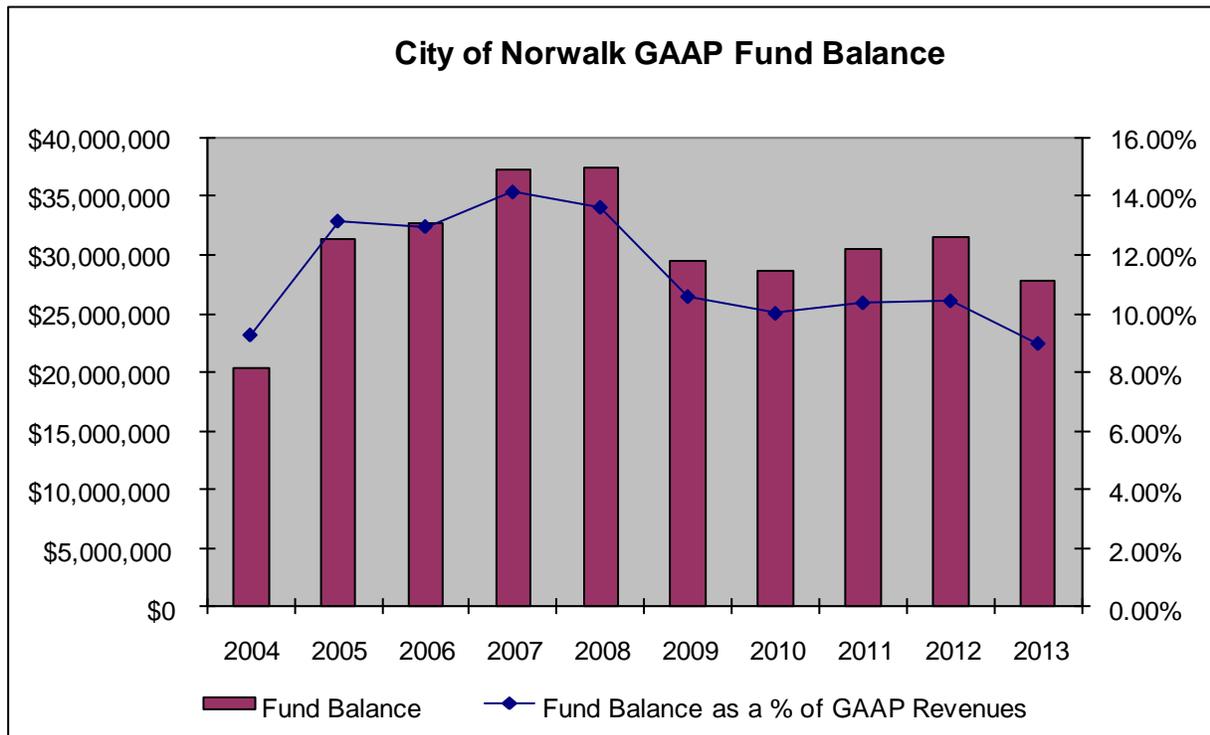
Fund Balance:

The Norwalk Board of Estimate and Taxation has adopted a formal fund balance policy that guides the City's budget-making body in determining how much fund balance the City should maintain, and how any excess fund balance should be utilized. The City's long-established policy is to use excess fund balance to cushion the financial impact of large, out-of-the-ordinary expenditures on Norwalk taxpayers. In furtherance of this policy, the City in the past has applied fund balance to support rapidly rising debt service costs, which more than doubled between 2004 and 2009, due primarily to school construction projects. In addition, as the City began to phase-in implementation of funding its Other Post Employment Benefits (OPEB), the City has mitigated the budget impact somewhat by using its fund balance during this transition period.

Unfortunately, with the prior draw downs to fund balance which occurred during FY 2009 and FY 2010, the City's total fund balance on June 30, 2012 is now projected to be down to 10.4% of GAAP revenues, and unassigned fund balance is at 9.5%. Under the approved budget for FY 2012-13, the City will end the current fiscal year with a fund balance projected at 9.0%.

While some may view a 9.0% fund balance as an indication of financial health, the City has only maintained its fund balance at this level by substantially raising taxes each year. Moreover, the City has now reached the point where fund balance stands approximately at the level of other Aaa/AAA rated municipalities in Connecticut, and further use of fund balance would be neither advisable if our bond rating is to be preserved nor in conformance with the City's adopted fund balance policy.

The City's fund balance policy is attached as Exhibit A.



City Bond Rating:

We believe that Norwalk's bond rating is an indication that the City is healthy, not wealthy. While it is true that Norwalk has a strong bond rating, our bond rating was the result of years of effort by the City. A bond rating is essentially an opinion of outside analysts on the credit-worthiness of a municipality. Just as it is possible for an individual with a modest income to secure a high FICO credit score by carefully limiting the amount of debt they assume and faithfully paying their financial obligations in full and on-time; so too it is possible for a middle-income community like Norwalk to achieve a favorable bond rating through strong and pro-active management, maintenance of sound financial operations, and limiting the amount of debt it issues. Surely, the Legislature did not intend for municipalities to be penalized in binding arbitration for being prudent and effective financial stewards.

Norwalk's excellent bond rating has allowed the City to continue to access the credit markets at favorable rates even during the market turmoil of 2008 and 2009. Norwalk has used its strong credit rating to properly maintain its infrastructure and fund investments designed to position the City for future economic success. Moreover, Norwalk's credit rating has helped the City to achieve comparatively low interest rates on its debt, and to refinance debt at more favorable interest rates, thereby allowing the City to entertain a capital improvement program that is more robust than would otherwise be possible. And finally, with the protracted financial crisis and recent deterioration in the US sovereign credit rating, the prospect of a rating downgrade could present a major challenge to Norwalk in the future. Last year, Moody's Investors Service placed a Negative Outlook on Norwalk and many other municipal credits. While the Negative Outlook on Norwalk was ultimately removed, the entire municipal sector in the United States continues to be under severe financial stress, and Moody's continues to maintain a Negative Outlook for the entire municipal sector.

A copy of the Moody's Outlook Report on the municipal sector from February 2012 is attached.

OTHER DEMANDS ON THE CITY'S FINANCIAL CAPACITY AND ABILITY TO PAY

Aside from the City's revenue constraints, Norwalk also faces several extraordinary, new expenditure burdens, which are causing taxes to rise even further. Chief among these are the following:

Required Pension Contributions:

The 2008 meltdown in the stock market had a profound effect on the funded status of the City's four pension plans. For the first time in many years, Norwalk pensions are under-funded. Between June 2008 and June 2009, the total market value of the City's pension assets declined from \$376.4 million to \$282.4, a decline of \$94.0 million, or 25%. This unprecedented loss dramatically increased the City's Annual Required Contribution (ARC) in FY 2010-11, and Norwalk's required pension contributions have continued to balloon even higher in the subsequent years.

As of July 2011, the total accrued liability of the City's pension plans stood at \$398.1 million, and the actuarial value of assets was \$362.2 million, resulting in an unfunded liability of \$35.9 million. Moreover, the City's actuary uses a smoothing technique to recognized market gains and losses over a five year period. When measured on the basis of market value of the assets, the total unfunded liability was \$47.8 million.

Under the Norwalk City Code, the City is required to contribute such sums as is necessary to maintain Norwalk's pension plans on a sound actuarial basis. Accordingly, the City has actuarial valuations performed each year to determine the required contribution. The City's required pension contribution increased from approximately \$2.1 million in FY 2010 to \$4.0 million in FY 2011, an increase of more than \$1.9 million for pensions alone. The total increase in the FY 2011 budget was only \$2.0 million, so virtually the entire budget increase that year was consumed by rising pension costs.

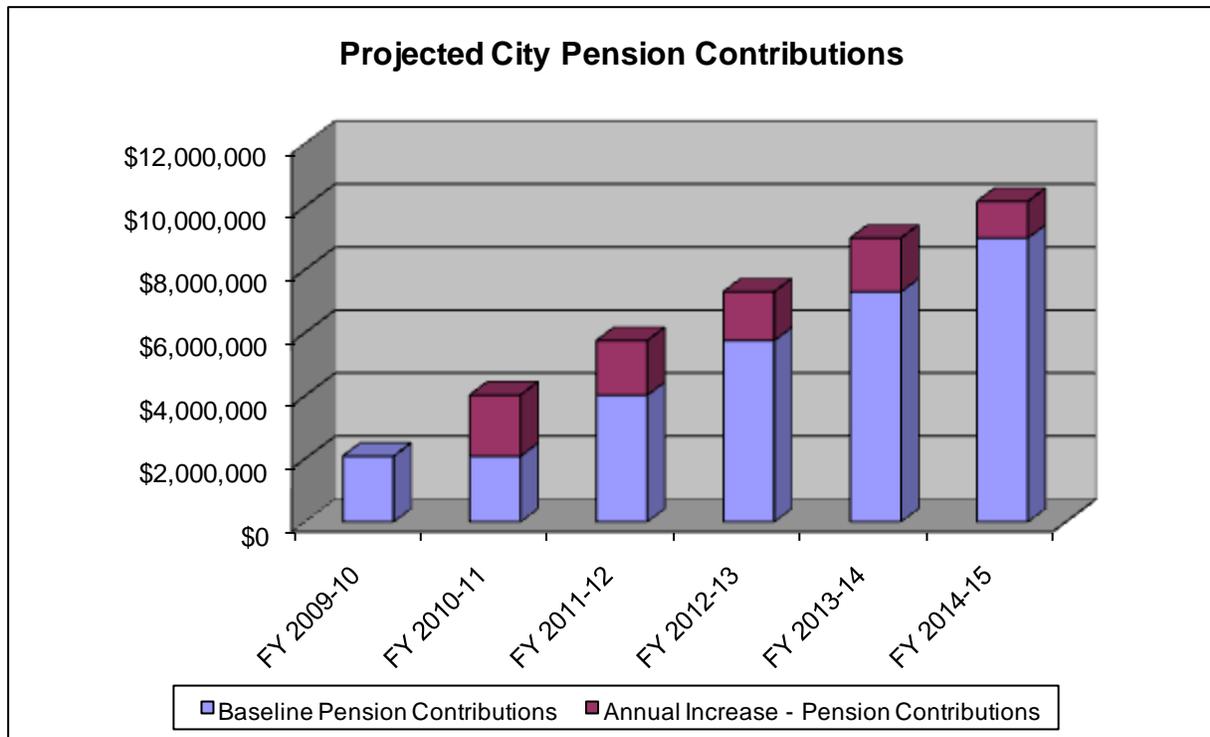
Moreover, Norwalk's pension contributions continue to increase dramatically. During FY 2012, City pension costs rose by \$1.7 million or 43%, and for FY 2013, they increased again by more than \$1.5 million or 27%. The City's consulting actuary has projected that the City's ARC will increase

to \$10,169,000 by FY 2015. Over a five-year period, Norwalk’s Annual Required Contribution will have increased by \$8.1 million, or 387%.

In addition to absorbing pension losses from prior years, the City is also confronted with the prospect to needing to reduce its assumed rate of return on its pension investments. Presently, the City assumes its pension plans will achieve an annual rate of return of 8.0%. There has been considerable debate nationally concerning pension plan assumptions, and Norwalk may need to lower its earnings assumption. Norwalk’s pension plans are in better financial shape than many of our peers, but the fact remains that pension plan funding represents a major financial challenge to the City, and a significant cost driver of the City budget into the foreseeable future. Clearly, pension funding represents a competing demand on the City’s limited financial capacity. Table 16 below outlines the City’s pension contributions through FY 2014-15, as projected by the City’s independent actuary.

¹⁶Table 16 – Projected Pension Contributions

<u>Fiscal Year</u>	<u>Projected Pension Contribution</u>	<u>Change</u>	<u>Percent Change</u>
	Five-Year Change	\$8,081,401	387.1%
FY 2014-15	\$10,169,000	\$1,162,000	12.9%
FY 2013-14	\$9,007,000	\$1,704,056	23.3%
FY 2012-13	\$7,302,944	\$1,545,747	26.9%
FY 2011-12	\$5,757,197	\$1,730,331	43.0%
FY 2010-11	\$4,026,866	\$1,939,267	92.9%
FY 2009-10	\$2,087,599		



¹⁶ Milliman Consulting Actuaries, Norwalk Pension Valuation Results - July 1, 2011. Figures thru FY 2013 are actual; future year contributions are projected by Milliman

Other Post Employment Benefits:

The City is also faced with the implementation of accounting rules for Other Post-Employment Benefits (OPEB), most notably retiree medical insurance. The City is required to account for post-employee benefits similar to the way in which governments account for pension benefits. These accounting rule changes have a dramatic impact on the City's government-wide financial statements.

The City completed its last OPEB actuarial valuation as of July 1, 2011. The most recent valuation indicates that the total accrued OPEB liability is \$233.5 million, and the City's Annual Required Contribution (ARC) for FY 2013 is \$18,450,000¹⁷. Due to financial constraints, the City has been unable to fully fund the OPEB ARC in prior years, and has been unable again to fully fund the ARC for FY 2013. The City is presently funding 84% of the ARC, or \$15.5 million for FY 2012-13.

As of June 30, 2011, the City had \$20.1 million of assets in the OPEB Trust Fund, so the City had an unfunded accrued liability of \$213.5 million. Expressed another way, as of 7/1/2011 the City's OPEB plan had funded ratio of only 8.6%. Moreover, the City's ARC increased by \$659,000 or 3.7% from the last valuation in 2009.

City management concluded that the City needed to transition from paying for its retiree health benefits on a "Pay-As-You-Go" basis to pre-funding these benefits in accordance with the actuarial recommendation. Failure to fund this liability in accordance with the actuary's recommendation would almost certainly cause the bond rating agencies to ultimately lower Norwalk's bond rating¹⁸ and also cause a large and growing Net OPEB Obligation to be recorded on the City's Statement of Net Assets. The failure to fund this liability in accordance with the actuary's recommendation would ultimately cause the City's financial position and financial health to erode, and would increase the long-term cost of these benefits to the City.

Management also concluded that it was not feasible or reasonable to increase the City's budget by the amount necessary to fully fund the ARC in a single year, because it would result in excessive tax increases or severe service cuts. Therefore, the City is phasing-in to full actuarial funding of the ARC over a multi-year period. Originally, this phase-in period was slated to conclude on June 30, 2011 (i.e. – the City would have fully phased-in to making full actuarial contributions) but the severe economic downturn has caused the City to extend this phase-in period.

In order to fully fund the OPEB ARC in FY 2013-14, the City would need to add \$2.9 million to the operating budget. Clearly, this represents a major competing demand on the City's limited financial capacity and ability-to-pay. Moreover, after the City fully funds its OPEB contribution, costs thereafter are expected to continue to increase each year based on various actuarial factors, including medical cost inflation.

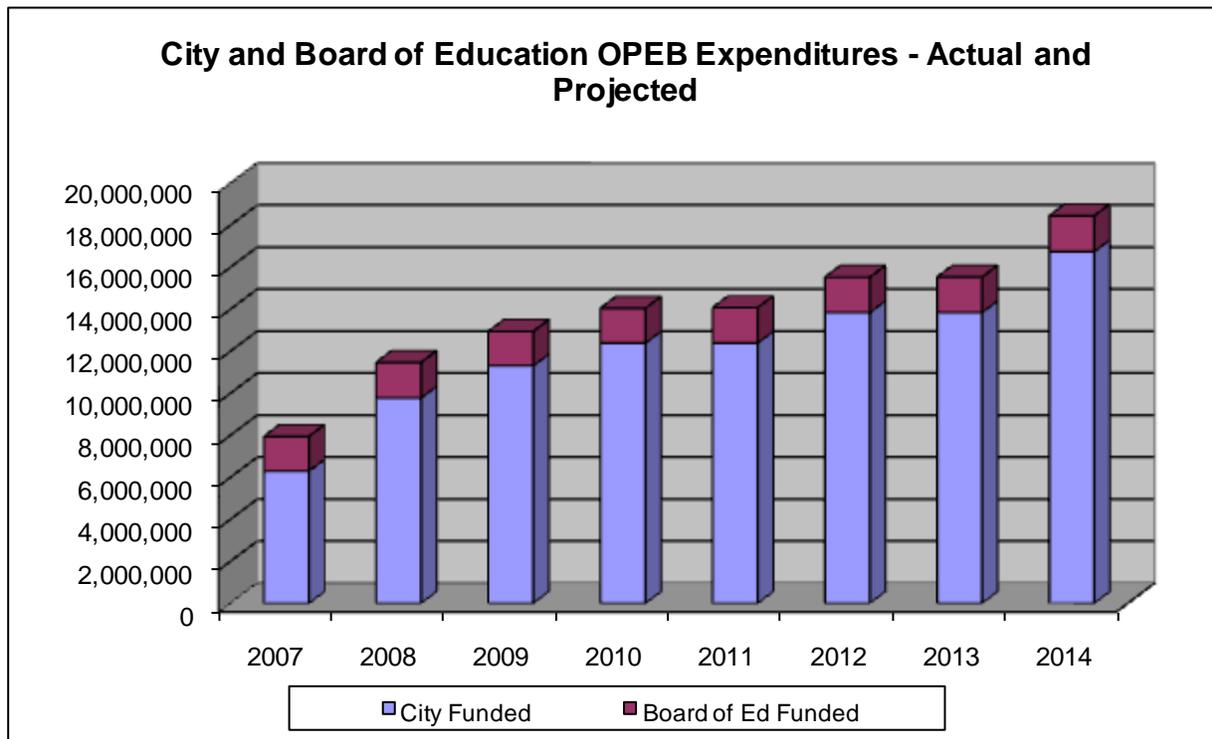
¹⁷ See Attached Other Post Employment Benefits Program Valuation, July 1, 2011

¹⁸ See Attached Reports from Moody's Investors Service and Standard and Poor's

Table 17 – City and Board of Education OPEB Contributions – Actual and Projected

<u>Fiscal Year</u>	<u>City Funded</u>	<u>Bd of Ed Funded</u>	<u>TOTAL</u>
2006-07	\$6,295,000	\$1,650,000	\$7,945,000
2007-08	\$9,782,100	\$1,685,270	\$11,467,370
2008-09	\$11,310,659	\$1,634,480	\$12,945,139
2009-10	\$12,395,200	\$1,654,804	\$14,050,004
2010-11	\$12,395,200	\$1,683,509	\$14,078,709
2011-12	\$13,846,636	\$1,677,684	\$15,524,320
2012-13	\$13,846,636	\$1,685,000	\$15,531,636
2013-14	\$16,750,000	\$1,700,000	\$18,450,000

Note: FY 2006-07 figures are estimated; FY 2013-14 based on fully funding OPEB ARC



Active Employee Health Benefits:

The rising cost of medical benefits for active employees also continues to be a major driver of the City and Board of Education’s operating budgets, and represents a competing demand on the City’s limited financial resources and ability-to-pay. The City budget for active employee health insurance benefits increased in FY 2012-13 from \$8,017,456 to \$9,496,304, an increase of \$1,478,848, or 18%. This extraordinary increase was driven by an unrelenting increase in health claim costs and increased utilization.

Indications from the City’s health insurance consultant are that medical trend is currently escalating at about 10% per year. This suggests that the City’s health insurance costs in the future will be increasing in the range of \$1,000,000 or more per year. Annual increases of this magnitude appear a near-certainty into the future. The Board of Education is also faced with rising health insurance costs which are consuming an ever-larger share of the Board of Education budget.

Board of Education FY 2011-12 Insurance Fund Deficit:

The Norwalk Public Schools are also faced with a significant competing demand on their limited financial capacity, especially over the next two fiscal years, because they significantly under-budgeted the amount necessary for health insurance in the FY 2011-12 budget. In order not to end the fiscal year with an estimated \$4.0 million deficit in the Board of Education's FY 2012 operating budget, the City's Board of Estimate and Taxation agreed to permit the Board of Education to underfund their contribution to the Insurance Fund (the internal service fund in which Board of Education health insurance expenses and off-setting revenues are recorded) in FY 2011-12 by up to \$3.5 million. Under the resolution approved by the City Board of Estimate and Taxation, the Board of Education is required to incrementally replenish the shortfall in the Insurance Fund over the next two fiscal years, during FY 2013-14 and FY 2014-15. Funds that would otherwise be available to support educational programs in FY 2013-14 and FY 2014-15 will instead need to be used to extinguish the accumulated Insurance Fund deficit caused by the Board of Education's earlier budgeting errors. The Board of Estimate and Taxation's resolution relative to this matter is attached as Exhibit B.

Deferred Capital Maintenance

The City has also been dealing with deferred maintenance relative to City facilities and infrastructure for some time. Many City and Board of Education buildings remain in need of significant attention. The Board of Education recently updated their facilities assessment in 2009, and this assessment indicates that an additional \$50.0 million will be needed to bring the City's school buildings up to par. This is on top of the \$200 million that has already been spent on the City's school buildings in the past ten years. The City's FY 2013-2017 Five Year Capital Improvement Plan forecasts that the City will spend \$28.0 million to improve Board of Education facilities in the next five years, but this will still leave millions of dollars in outstanding work to be completed beyond 2017.

Moreover, the City is presently constructing a new Fire Headquarters, to replace a fifty year old facility which was obsolete, and in poor condition. Replacing this facility is projected to cost \$16.1 million, and construction is underway. The bonds used to finance this construction have been issued, and repayment will begin in the next couple of years.

Norwalk's storm drainage system has also been determined to need major improvements, with Norwalk property owners experiencing flooding that has caused damage to private property in the tens of thousands of dollars. The City began to address these concerns by appropriating \$5.2 million in the FY 2009 capital budget to correct a few of the most serious deficiencies in its storm drainage system. To correct all of the problems, however, is estimated to cost tens of millions of dollars more.

Moreover, the Average Pavement Condition Index of Norwalk's road network is currently rated with a Pavement Condition Assessment of "Fair", and a Pavement Condition Index rating of approximately 75. For many years, Norwalk's level of investment in road repairs was insufficient to keep the overall condition to Norwalk's roads from deteriorating. Recently, the City began to invest \$5.0 million per year in road reconstruction and paving so that ultimately Norwalk's roads will be rated in the "Good" category rather than the "Fair" category.

The City's Five Year Capital Plan details departmental capital requests over the next five-years totaling \$194.9 million. Due to the City's financial limitations, we have concluded that the City can only afford to finance approximately \$92.3 million in capital spending over the next five years. Clearly, the City's significant capital needs represent a competing demand on the City's limited financial capacity and ability-to-pay.

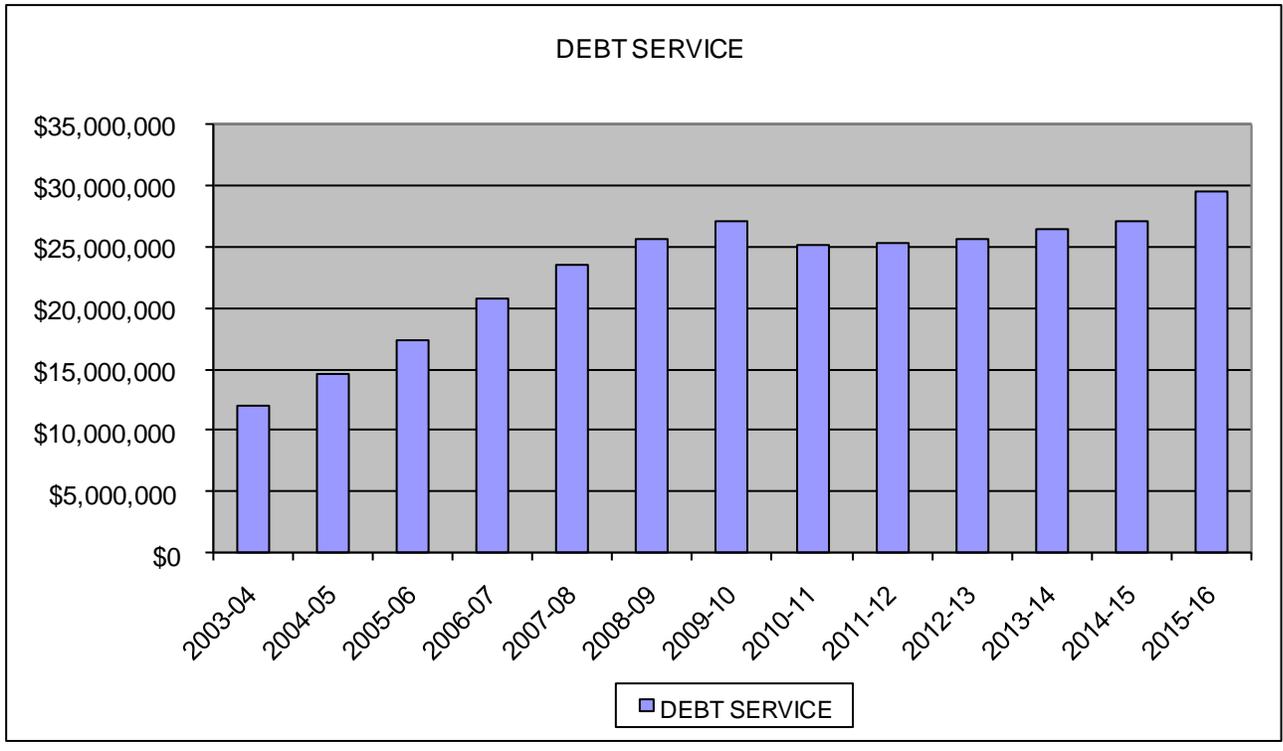
And finally, with respect to the City's water pollution control facilities (WPCA), the City recently completed construction on a \$36.0 million upgrade to the City's Water Pollution Control Facility. Debt service on the Clean Water Fund financing used for this project will begin next year, and will need to be incorporated into the sewer user rates paid by Norwalk homeowners and businesses. Moreover, this project was originally planned as phase one of what may ultimately be a three-phase project costing more than \$100 million. Whether and when the additional phases will commence is unknown at this point, but substantial additional increases in sewer user fees will be necessary if phase II and III are undertaken.

A history of debt service from FY 2003-04 and a projection through FY 2015-16 is provided in Table 18 below:

Table 18 – Debt Service History and Projection¹⁹

FISCAL YEAR	DEBT SERVICE	VARIANCE	% CHANGE
2003-04	\$12,037,308	-	-
2004-05	\$14,591,108	\$2,553,800	21.2%
2005-06	\$17,388,893	\$2,797,785	19.2%
2006-07	\$20,728,100	\$3,339,207	19.2%
2007-08	\$23,464,498	\$2,736,398	13.2%
2008-09	\$25,697,411	\$2,232,913	9.5%
2009-10	\$27,131,135	\$1,433,724	5.6%
2010-11	\$25,151,531	(\$1,979,604)	-7.3%
2011-12	\$25,310,683	\$159,152	0.6%
2012-13	\$25,678,273	\$367,590	1.5%
2013-14	\$26,467,650	\$789,377	3.1%
2014-15	\$27,026,007	\$558,357	2.1%
2015-16	\$29,603,316	\$2,577,309	9.5%

¹⁹ Reduction in FY 2010-11 debt service due to refunding of Parking Authority Lease-Revenue bonds; debt service for Parking Authority debt is now reflected solely in the Parking Authority budget



IMPACT ON NORWALK HOMEOWNERS AND RESIDENTS

In October 2013, Norwalk will be required under State law to revalue all property within the City. The City conducted property revaluations in 2003 and 2008. In both of those revaluations, many Norwalk homeowners experienced revaluation-induced tax increases. As a result of the 2003 revaluation, single-family homeowners on average experienced a tax increase of approximately 8% due to revaluation alone. Some neighborhoods experienced double-digit tax increases because of the 2003 revaluation. During the 2008 revaluation, results were mixed, but approximately 35% of Norwalk’s single family homeowners were negatively impacted by that revaluation. This negative impact was felt most prominently in South Norwalk, Norwalk’s lowest income neighborhood. In South Norwalk, as a result of the 2008 revaluation, the median single-family homeowner experienced a \$641 or 14% tax increase in FY 2009-10.

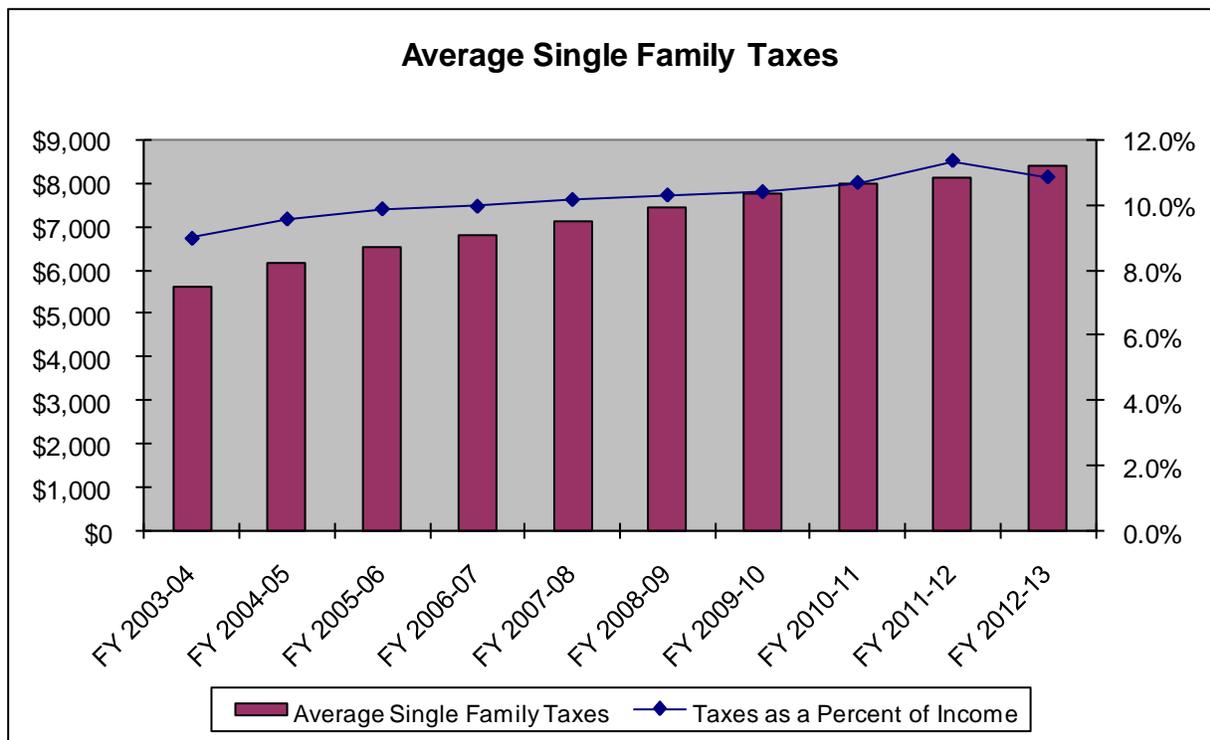
We do not yet know how the 2013 revaluation will impact Norwalk homeowners and businesses. We expect that Norwalk’s grand list may decline as a result of revaluation, because as of now, property values have not recovered to 2008 levels. We do not yet know if there will be a further shift of the tax burden onto beleaguered homeowners, but we are concerned about this possibility.

Table 19 below provides a nine-year history of the average tax on a single family home in the City of Norwalk. These figures reflect both the impact of revaluations, and the impact of changes in the City’s tax levy. In the last nine years, average residential taxes have increased by \$2,778 or 49.6%. As noted in Table 3 earlier, Norwalk’s median household income only increased by 29% in the eleven-year period between 2000 and 2011. Norwalk’s property tax increases have far outstripped the increase in income among our residents. Moreover, average residential taxes now total \$8,383 per year. When looked at as a percentage of median household income, the average property tax

burden now represents 10.8% of income. Norwalk's taxes have reached the point where many middle class homeowners are simply unable to pay any more.

²⁰Table 19 – History of Average Residential (single family) Taxes

Fiscal Year	Avg. Single Family Tax	Increase	% Change	Taxes as % of Median HH Income
FY 2003-04	\$5,605	-	-	9.0%
FY 2004-05	\$6,148	\$543	9.7%	9.6%
FY 2005-06	\$6,535	\$387	6.3%	9.9%
FY 2006-07	\$6,784	\$249	3.8%	10.0%
FY 2007-08	\$7,131	\$347	5.1%	10.2%
FY 2008-09	\$7,443	\$312	4.4%	10.3%
FY 2009-10	\$7,741	\$298	4.0%	10.4%
FY 2010-11	\$8,011	\$270	3.5%	10.7%
FY 2011-12	\$8,147	\$136	1.7%	11.3%
FY 2012-13	\$8,383	\$236	2.9%	10.8%
TOTAL	9 Year Change	\$2,778	49.6%	



²⁰ City of Norwalk Finance Department

Provided below is information from the Norwalk Tax Assessor on a typical Norwalk single family house. This 1950's raised ranch has 3 bedrooms, 1 1/2 baths, and 1,675 sq. ft. of finished living area. The City's 2008 revaluation determined that the full market value of this property was \$538,000, which approximates the City-wide average. This property is not served by public sewers, nor is the property owner eligible to received City garbage collection services. The annual tax bill on this property is currently \$7,867.



**CITY OF NORWALK
TAX ASSESSOR
PROPERTY INFORMATION ****

PROPERTY TYPE :
LAND USE : ONE FAMILY

LOCATION : 5 YORKSHIRE RD, NORWALK, CT
DISTRICT : 5 BLOCK : 64 LOT : 196 UNIT : 0 CARD : 1 / 1
ASR MAP # : 6SE SEWER : 0-UNKNOWN CENSUS : 432
TWK MAP # : 5591 TWK LOT # : 31A TAX DISTRICT : 5N
2011 TOTAL ASSESSED : \$376,600 ZONE : A3 PERCENT : 100.00
2011 PROPERTY TAX : \$7,867
2011 MILL RATE : 20.8890

NARRATIVE DESCRIPTION

This Parcel contains 1.080 Acres of Land mainly classified as ONE FAMILY a(n) RAISED RCH building built about 1957, Having primary WOOD SHING exterior and COMPOS SH roof cover, with 1 unit(s), 1 baths, 1 halfbaths, 7 room(s), and 3 bedroom(s). Physical Condition is Average.

OWNERSHIP

VELEZ HONORIO & MARIA F
11 YORKSHIRE RD
NORWALK, CT 06854



SALES INFORMATION

Grantor	Legal Ref	Type	Date	Sales Code	Sale Price	Notes
MCGRATH HELEN	5126-95	W	09/28/2003		\$429,900	5 YORKSHIRE RD
MCGRATH JOSEPH	4897-79	O	05/13/2003	WILL/DEWISEE	\$0	5 YORKSHIRE RD
MCGRATH JOSEPH	4258-204	O	11/02/2001	OTHER	\$0	5 YORKSHIRE RD
	1100-312		10/27/1977		\$0	N/A
	1100 312		10/27/1977		\$0	N/A

PREVIOUS ASSESSMENT

Year	LUC	Category	Building Value	Yard Items	Land Size	Land Value	Total Value	Assessed Value	Notes	Date
2011	110	FV	\$172,100	\$0	1.080	\$365,900	\$538,000	\$376,600		01/30/2012
2010	110	FV	\$172,100	\$0	1.080	\$365,900	\$538,000	\$376,600		02/11/2011
2009	110	FV	\$172,100	\$0	1.080	\$365,900	\$538,000	\$376,600		02/17/2010
2008	110	FV	\$172,100	\$0	1.080	\$365,900	\$538,000	\$376,600		02/20/2009
2007	110	FV	\$136,600	\$0	1.080	\$319,600	\$456,200	\$319,340		01/28/2008

LAND SECTION

LUC	Description	#Units	Unit Type	Land Type	Base Value	Neighborhood	Assessed Value
110	ONE FAMILY	1.08	ACRES	SITE	\$0	121 -WN-A3	\$365,900
110	ONE FAMILY	223.00	FRONT FEE	SITE	\$0	121 -WN-A3	\$0

BUILDING INFORMATION

Type:	RAISED RCH	Year Built:	1957	Full Bath:	1	Remodeling Data (Year)	
Sty Ht:	1	Ave Ht/FL:	STD	A Bath:		Exterior:	
(Liv) Units:	1	Primary Int. Wall:	DRYWALL	1/2 Bath:	1	Interior:	
Foundation:	CONC BLOCK	Partition:	TYPICAL	A HBath:		Extensions:	
Frame:	WOOD	Primary Floors:	HARDWOOD	Other Fix:		Kitchen:	
Prime Wall:	WOOD SHING	Electric:	TYPICAL	Kitchen:	1	Bathroom:	
Roof Struct:	GABLE	Insulation:	TYPICAL	A Kitchen:		Plumbing:	
Roof Cover:	COMPOS SH	Heat Fuel:	OIL	Fire Place:	1	Electric:	
Color:		Heat Type:	HOT WATER	Sketched Area:	2,500.00	Heating:	
Grade:	C110	Central Air:	Yes	Finished Area:	1,675.20	General:	

SPECIAL FEATURE & YARD ITEMS

Code	Description	A	Y/B	Qty	Size	Qual	Cond	Year	Unit Price	Dis	Dep	LUC	Appr Value	JCode	JFact	Juris. Value
3	RP COVERED	D	S	1	12X16	A	AV	1957	37.45	0	30.00	110	\$5,000			\$5,000
5	RP ENCLOSED	D	S	1	12X16	A	AV	1957	70.74	0	30.00	110	\$9,500			\$9,500

**** This information is only a partial summary of a property record card. Submittal of this printout to the Building Department or Planning & Zoning for permit requests is not acceptable. These Departments require you to submit the complete property record card which may be purchased from the Tax Assessor's Office for a fee of \$1.****

CONCLUSION

Norwalk's residential taxpayers have been buffeted by sharply rising property taxes in the past nine years because of a decline in State aid and locally generated revenues, a nearly-stagnant tax base, increases in the cost of health insurance and post-employment benefits, increases in debt service, and the impact of property revaluations. These tax levy increases have already imposed a punishing burden on Norwalk's residential taxpayers, but it is apparent that Norwalk's taxpayers are facing further tax increases in the next several years, as we continue to deal with the financial aftermath of the Great Recession of 2008.

With nearly \$100 million in pension fund losses in 2008 that must be made up through increased employer contributions; unfunded OPEB liabilities of \$213.5 million that require the City to contribute nearly \$18.5 million per year in order to begin properly funding; ever-rising health insurance costs; and large capital needs to rehabilitate school and municipal buildings and maintain City infrastructure—Norwalk taxpayers are facing a prolonged period of built-in spending and tax increases that are well above the rate of inflation, and certainly well above the wage increases that Norwalk's middle-class residents are receiving. Even with a nearly flat operating budget for the Board of Education, it was necessary to increase taxes by 3.0% for FY 2012-13. More of the same, or higher, appears likely for FY 2013-14 and beyond.

The tolerance for annual tax increases of 3-5% has vanished in Norwalk. In February 2012, I proposed a FY 2012-13 budget that required a 4.1% tax levy increase, and 3.8% mill rate increase. This proposal was decisively rejected by the Norwalk Common Council—on a bipartisan vote—as too burdensome for Norwalk taxpayers. Painful cuts were necessary in order to meet the lower FY 2013 budget cap established by the Common Council. Still, many citizens clamor for budgets that call for no tax increase.

The severe economic downturn has caused many Norwalk residents to lose their jobs, or find their house is worth less than the outstanding mortgage. Those that are still employed face reductions in hours, pay cuts, and reduced benefits. The ability of Norwalk taxpayers to pay ever higher property taxes is simply not there. With most of the City and Board of Education budgets comprised of employee wages and benefits, the only practical means to constrain tax increases to a level that our working and middle class families can afford is to limit growth in employee wages, implement strategies to control and reduce employee benefit costs, and reform the way we deliver services to our constituents.