

Town of

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Paul M. Formica
First Selectman



East Lyme

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March 12, 2014

TO: Board of Finance

FROM: Paul M. Formica, First Selectman

Board Members:

You have been provided with my transmittal to the Board of Selectmen dated February 5, 2014. This updates the action taken by the Board of Selectmen prior to forwarding to you.

This proposed municipal budget that the Board of Selectmen present to you for review represents, \$662,235 increase for the Town, \$2,047,883 for the Board of Education, \$323,190 increase for debt service and \$295,001 increase for capital is a total dollar increase of \$3,328,309 or 5.27%.

The increase in the proposed Town and Board of Education budgets for the coming fiscal year are shown below in millions of dollars.

| | <u>2013/14</u> | <u>2014/15</u> | <u>Increase (Decrease)</u> | <u>% Change</u> |
|---------------------------|----------------|----------------|--------------------------------|-----------------|
| General Government | \$15.461 | \$16.123 | \$.662 | 4.28% |
| Board of Education | 41.941 | 43.989 | 2.047 | 4.88% |
| Debt Service | 4.781 | 5.105 | .323 | 6.76% |
| Capital | 0.988 | 1.283 | .295 | 29.86% |
| Totals | \$63.173 | \$66.501 | \$3.328 | 5.27% |

The proposed budget includes a 4.88% increase for the Board of Education a 4.28% increase for the Town, a 6.76% increase for Debt Service and a 29.86% increase for capital. Overall, the entire municipal budget increase is \$3.328 million or 5.27% prior to your adjustment.

Budget Changes by Board of Selectmen

General Government and Miscellaneous (\$29,237)

As a result of various wage reductions made during my review of department head budgets and by the Board of Selectman the FICA/Medicare account was reduced by \$14,237. A reduction of \$15,000 was made in the General Government Legal account as a result of continuing declining need for services in that area.

Public Works (\$47,971)

When we began the budget process, the salaries for the Public Works Director and Deputy Public Works Director were funded at 100% within this department. In the past 50% of the Public Works Director salary was funded in the Water and Sewer Utility Budgets. After consideration, the Board of Selectmen made a reduction of \$47,971 which represents 25% of both the Director and Deputy Directors salaries to be funded by the utilities.

East Lyme Public Library (\$7,671)

The Library Commission is requesting the interior be painted. The \$15,000 funding was included in their department as well as in the capital department. However, in the most recent Pension Valuation the annual required contribution increased from \$42,000 to \$49,329. The reduction is the net difference.

Capital Outlays/Equipment – (\$119,551)

The Board made several reductions in the Capital area including \$4,000 for CAD Software and Survey Equipment and \$25,000 each for transfer to CNRE for various town projects and town-wide sidewalk repair. Other reductions include \$13,051 for a Smart Folding and Postage machine for the Tax Department. Due to the pricing, the Board recommends implementation in a year when the Water and Sewer Commission can share in the cost. A reduction of \$2,500 for town-wide computer replacements. The board reduced the \$50,000 for a Skate Board Park as increased funding for Parks and Recreation is included in the budget for the new Amtrak Beach .

Overall, the town budget was reduced by \$84,879 and the capital budget by \$119,551 for a total reduction of \$204,551 in actions taken by the Board of Selectmen. The Board of Education did not act on the Superintendent's budget prior to the Board of Selectmen's final meeting, therefore, per charter we pass that to you.

Revenues

The revenue schedule maintains the 2013/14 state revenue projections. The changes proposed February 6, 2014 by Governor Malloy are not incorporated in the projected revenues. I will be closely watching the actions of the State Legislature and will recommend that we make adjustments as necessary as we move forward in our budget process and as the State moves through theirs.

We are continuing to review Operating Transfer-In Revenue (OTI) from the Sewer Assessment Fund to defray the cost of sewer related debt service. In past years, to assist the general fund with revenues debt service transfers in were accelerated. As we move through the proposed budget process I will keep you posted on our review of these historical payments.

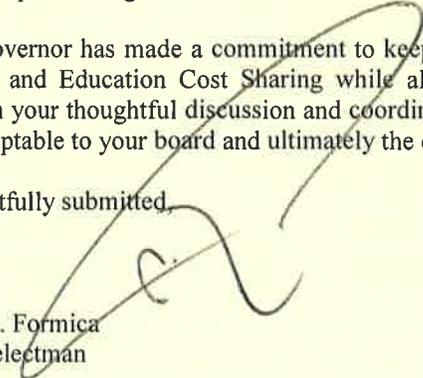
Conclusion

Our great Department Heads have been fiscally prudent over the last few years returning significant moneys unspent back in the General Fund and growing our undesignated fund balance to near acceptable levels. While we are proposing a larger percent increase to our budget today than we have in the past, there are still many variables that may work in our favor with time. We are in the process of moving forward effective July 1, 2014 (*a one year delay due to union concerns*) with a change in health insurance carrier as a result of a health insurance request for proposal process. We will be analyzing more up to date data within the next month, which I expect to result in additional savings not included here.

For the first time in several years we have an increase in debt service in the amount of \$323,190, which is primarily due to the Regional Water Interconnection. Although we have an increase, we continue to monitor our Debt Management Plan to keep our annual debt payments within a parameter of \$5 to \$6M annually. And, keep in mind the \$2M plus savings we have obtained in four bond refundings since 2009.

The Governor has made a commitment to keep cities and towns net neutral with regards to State revenues both on PILOT and Education Cost Sharing while allowing for some offsetting revenue opportunities. I believe that through your thoughtful discussion and coordinating with the State cycle, our budget will balance at a level that will be acceptable to your board and ultimately the entire town.

Respectfully submitted,


Paul M. Formica
First Selectman