

Town of

108 Pennsylvania Ave.
P.O. Box 519
Paul M. Formica
First Selectman



East Lyme

Niantic, Connecticut 06357
Phone (860) 691-4110
Fax (860) 739-2851
pformica@eltownhall.com

February 1, 2012

TO: Board of Selectmen

FROM: Paul M. Formica, First Selectman

Board Members:

The budget presented to you represents our continued line by line in depth approach to budgeting Town Government. I look forward to your input as we further fine-tune this approach for public approval.

This proposed municipal budget that I present to you for review, \$524,858 increase for the Town, \$1,547,040 for the Board of Education, (\$248,195) decrease for debt service and \$363,483 increase for capital represents a total dollar increase of \$2,187,186 or 3.56%.

The guidelines used to develop the proposed budget are as follows:

1. Emphasis was placed on maintaining existing public services, improving and upgrading our town infrastructure and the prevailing quality-of-life within the Town. I continue to place special emphasis on recreational activities that the Town can offer to all residents as we believe that during the coming recovery, more and more people will be utilizing economical recreation opportunities.
2. The Police Department requested an additional officer which I support. As the town continues to grow, especially the new beach coming on-line the demand for Police services continues to rise. It is anticipated in the future a second detective and at some point assigning an officer as a "Community Service Officer."
3. The Commission on Aging requested increasing the current part-time clerical staff member to full time which I support. The reason is due to the increased demands on the Director for the various medical and fuel assistance programs and the increasing senior related housing in town.
4. Emergency Management requested a fifth full-time dispatcher which I am not recommending due to the continued efforts to create a regional dispatch facility.
5. A new position to be shared with the Planning and Parks and Recreation Departments was proposed, however, I did not forward this proposal for your consideration at this time. I do support this position for the future.
6. The Parks & Recreation Department and Youth Services Department have been combined to be one department. Additional wages are included in the Part Time Seasonal account for an anticipated opening of the new beach area as a result of the Amtrak project in May of 2013. Funding for the Youth Service programs has been transitioned to the Special Revenue Fund established in the 2010/11 fiscal year. The net result is a (\$50,617) budget decrease.
7. The Town Clerk requested an additional seven and a half staffing hours which I have not forwarded. I feel the new Town Clerk should evaluate the department and make his/her recommendations.
8. Where possible, departmental operating costs have been kept to a minimum maintaining or decreasing the

2011/12 level of spending. Increases in operating costs are primarily due to health insurance premiums (9%), contract obligations, state mandates, and the Capital Improvement Program.

9. In working on the proposed 2012/2013 Capital Improvement Program we continue the trend of the multi-year acquisition program to maintain our vehicle fleet, for the upgrade of Board of Education technology infrastructure and for a bonding program for town-wide infrastructure improvements consistent with our debt management plan.
10. The Contingency line item has been funded at \$145,000 to continue with the practice established to have a resource to fund unplanned expenditures during the fiscal year. This will enable us to more efficiently handle unexpected issues that arise during the fiscal year without appropriating from undesignated fund balance. This best fiscal practice will assist management in financial planning and was a critical element in Moody's maintaining our town's high credit rating of Aa2 in their recent evaluation of our fiscal operations.

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

	<u>2011/12</u>	<u>2012/13</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
General Government	\$15.045	\$15.570	\$.525	3.49%
Board of Education	40.494	42.041	\$1.547	3.82%
Debt Service	5.206	4.958	(\$.248)	(4.77%)
Capital	0.607	.971	\$.363	59.87%
Totals	\$61.352	\$63.540	\$2.187	3.56%

The proposed budget includes a 3.82% increase from the Superintendent of Schools for the Board of Education who will act upon the budget later this month, I propose a 3.49% increase for the Town, a (4.77%) decrease for Debt Service and a 59.87% increase for capital. Together, the entire municipal budget is expected to increase by \$2.187 million or 3.56%.

Budget Increases/Highlights

The following major cost increases have been included in this budget because they were required, mandated by the State, or deemed to be in the best interest of the Town. Major budget increases are detailed below with the exception of the Board of Education. Per the Charter, I am passing on to you in total the Board of Education budget as presented to them by the Superintendent of Schools. The Board of Education has not officially forwarded the budget to the town yet and we will determine a schedule for them to present at a subsequent meeting. Also, noted below are areas where we have significant decreases.

Assessor \$11,921

Increase is primarily due to CAMA maintenance fee no longer included in the revaluation contract and the initial discounted maintenance fee for the Personal Property module.

Information Technology \$12,360

To cover support for additional workstations and network servers in Town Hall, Community Center and Field Services Building. The Police Department and Community Center have new servers with advanced network environments which were critical to upgrade the system for law enforcement and inter-agency communication. The Community Center is configured with a virtual private network connection to Town Hall allowing for efficiencies with e-mail and anti-virus. The increase will be used to pre-purchase blocks of network support which is a more cost effective method to cover the costs of network emergencies, thus saving dollars.

Building Maintenance \$34,112

The increase in this department is due to heating oil and propane price increases and for the addition of code mandated sprinkler tests in service contracts. The increases were offset in part by decreases in electricity costs based on pre-purchased power and wages due to the retirement of an employee at top salary replaced by new staff member at the beginning scale.

Health Benefits/Town \$91,090

This figure represents the increase in the amount needed to fund the Town's employee medical claims for the coming fiscal year. The estimated renewal rate is a 9% increase; however, in the upcoming weeks more information will be forthcoming although I expect us to continue the trend of recent years at zero or nominal increases. This amount would be higher; however our efforts to increase cost sharing and coverage changes assist in keeping the cost down. We continue to offer wellness programs to promote healthier, happier more productive employees and to reduce health insurance and workers compensation premiums. Our efforts are to focus more on "health" care and less on "sick" care.

Pension \$29,942

This represents the increase in the annual required contribution to the town's defined benefit pension plan which is the result of the Actuarial Valuation. The Pension Committee is beginning its third year of oversight. The Committee is beginning to receive reports on the results of the changes made to the portfolio resulting in increased stability for the fund. I am hopeful that as a result of these efforts we will begin to see improvements in the overall funding of the plan with some operating budget relief in the future.

Legal Services \$96,500

Due to continuing land use suits, one in particular, we have experienced higher expenditures thus it is necessary to increase this area of the budget. A comprehensive analysis was completed to determine the amount of increase necessary. A portion of the increase was offset by a decrease in Public Safety related legal fees due to having agreements fully negotiated. There is also a provision in the amount of \$12,000 for appraisals and legal services due to the recently completed revaluation should there be a need for defense funds.

FICA/Medicare \$15,776

Payroll taxes increased in relation to wage increases of the various employee groups as follows: The impact of the Management non-union mid-year wage increases of 2.5%, Police and Firefighters 1.25% increases July 1, 2012 and January 1, 2013 with an effective rate of 1.88%. The remaining groups are in various stages of negotiations and increases are included in the wage contingency budget account.

Insurance PD&L \$6,685

Although we estimate an 11% increase in premiums, the amount needed is adjusted by prior year declining premiums.

Contingency \$28,100

The increase in this area of the budget is as follows:

1. To fund for potential general wage increases for the Maintenance and Administrative employees, Dispatch Employees and a provision for Management and non-union employees.
2. As in the past, I plan to appoint a committee to review non-union employee benefits and make a recommendation for consideration for this group.

Board of Assessment Appeals (\$4,112)

We are wrapping up the process of a revaluation for the October 1, 2011 grand list, therefore, in the upcoming year we do not expect the number of hearings in the prior fiscal year.

Public Safety – Police \$148,333

Primarily due to wages which is a two fiscal year impact due to the recent ratification of a successor agreement by the union pending Board of Selectman approval. Also includes an additional officer at step three bringing the total to twenty-two. The impact is for both regular and overtime wages.

Public Safety/Niantic Fire Department \$19,990

The increase is for the following reasons; wages, and for replacement tires.

Public Safety – Flanders Fire Department \$29,627

The increase is due to wages and to support weekend coverage with an eight hour shift on Saturday and Sunday. The department is experiencing a reduction of volunteer support on weekend days, and more specifically during the summer weekends.

Public Safety/Fire Marshal (\$9,676)

The request was originally an increase of \$97,284. Included in the increase was a request in the amount of \$41,838 representing year one of a five year lease to own option to upgrade the present radio system. The upgrade includes the addition of an antenna site in the north end of town, simulcast all three antennas and upgrade radio network to enhance audio/video capabilities. This request was re-located to department 724 (capital). In addition, there was a request for a fifth dispatcher, which I did not support as we are in process of exploring a regional dispatch approach.

Public Works \$73,682

The increase is relative to various items including Tree Warden expenditures, storm materials and supplies and fleet fuel. Increases were offset by decreases in bulky waste transportation and tipping. Please note the Maintenance workers contract expires on June 30, 2012, estimated wage increase is included in department 120 Contingency.

Library- \$10,620

The increase requested by the East Lyme Library is primarily due to salaries and fringe benefits with some also due to materials. I reduced the original request by \$10,000 due to more recent information on our July 1, 2012 Health Insurance renewal.

Parks and Recreation – \$88,432

As noted in my opening remarks, this department now incorporates the previous Youth Services Department. The net impact of combining the two departments is a (\$50,617) reduction. As part of this transition we moved the Youth Services programs to the Special Revenue Fund. The general fund also incorporates new expenditures that are projected for opening of the magnificent new beach along the boardwalk.

Debt Service/Interest on Debt – (\$248,195)

The decrease in this department is due to principal and interest related to the general obligation bond reduction in outstanding debt over time. During the 2011/12 fiscal year we took advantage of the economic climate and completed our fourth refunding on previous issues to realize \$800,000 future budget savings. The total budget savings of these refunding is \$2,039,000. We are continuously monitoring our debt position relative to planning for future projects. We know we cannot improve on our interest income on our operating budget however we can

achieve operating savings by offsetting that with reductions in this line.

Capital Outlays/Equipment - \$363,483

You have heard me say that while we must run the Town like a business, unlike most businesses, the Town will be here 100 years from now so, it is important to adequately maintain our infrastructure, replace older vehicles and equipment for efficiency in costs and plan for the future.

Maintaining our roads is more efficient if accomplished before requiring reconstruction. You will note in the Capital Improvement Plan (CIP) a five-year bonding proposal for this purpose. The timing of this plan works with our existing debt service.

We are in the process of our third year of the vehicle acquisition package which has systematically upgraded our aging fleet. Replacing older vehicles will improve operating efficiencies and decrease some of the higher maintenance costs on the older vehicles. The proposed budget will be the fourth year of this plan.

Included in capital is funding in the amount of \$229,000 for the Capital Non-recurring Fund as follows: \$4,000 CAD software program, \$25,000 HVAC replacement town-wide, \$50,000 roof replacement town-wide, \$50,000 sidewalk repair and \$100,000 to be available for town-wide projects.

Various town capital items as follows: \$7,500 web-based permit software, \$12,000 town-wide computer replacement program, \$6,000 for signs at various town buildings, \$19,200 soffit replacement at Town Hall, \$7,000 to re-finish the activity room floor at ELCC, \$6,000 folding door repair at ELCC, \$13,200 for bathroom upgrades at the Town Hall, \$12,000 to paint the Smith Harris House and \$20,000 for play scape at McCook Park.

We've added a start-up in the amount of \$19,165 for safety equipment at the new beach due to Amtrak work on the boardwalk and the beach expansion.

The transition of the HR Manager to the Office Manager position is in limbo due to the union challenging the position. The 2012/13 budget is proposed at the 2011/12 level. As we move through the budget process and more information is available we can make the appropriate adjustment. The plan is to re-distribute the work and retain the services of an outside Human Resources consultant to bridge the gap.

We are currently in the first year of operations as a Regional Probate District. On February 7th, I will be meeting with the other towns CEO's and Judge McNamara to approve a proposed 2012/13 operating budget and will forward to you after that time.

The other area that I am pursuing a change to is Animal Control. I am hopeful to expand the regional area to include Old Lyme and to retain the services of an Animal Control Officer rather than a Waterford Police Officer. We will be meeting again in the upcoming week.

Proposed Revenues

We are all aware of the ever-changing State budget situation. Governor Malloy will present his first budget on February 8, 2012 at which time we will gain a better understanding what our local revenue situation will be. As such, Anna and I are working on potential revenue projections and I will present this to you at our February 15th meeting. Once the Governor presents his budget address I believe that we can include more realistic projections at that time. These revenue sources, as well as their amounts, may change as his budget goes through the State's upcoming legislative process.

Following is a listing of those major municipal revenue sources that are expected to increase or decrease during the coming fiscal year. Only those revenue sources changing by \$20,000 or above are shown.

Revenue Increase:

- PILOT State Owned Property – \$205,000

- Tax Relief Elderly - \$20,000
- Tuition Other Districts - \$258,520

Revenue Decreases:

- Tax Relief Telephone Taxes – (\$23,795)
- Building Permits – (\$30,000)
- Zoning Fees – (\$30,000)
- OTI Sewer Assessments – (\$295,622)
- Use of Fund Balance – (\$453,500)

Conclusion

As previously mentioned, this budget, for the most part, reflects the maintenance of existing levels of public services within the community with a few enhancements.

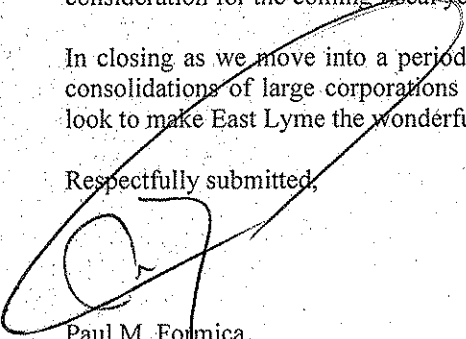
This budget represents a fiscally conservative and prudent approach to developing a Town-wide spending plan for the coming year. If we were to remove the wage increases reflected in the budget in the amount of \$207,476, the town's budget increase would be \$318,952 or 2.12%. The Town's overall budget including the preliminary Board of Education budget is increasing 3.57%.

The Town's department managers are to be congratulated for their efforts to hold-the-line on their respective department expenditures for the coming fiscal year. I would like to thank each of them individually for their willingness to keep their expenses in line with the fiscally conservative guidelines used to develop this municipal budget and for returning unused dollars to the General Fund in each of the previous two years.

Lastly, I would like to acknowledge and personally thank the Town's Finance Director, Anna Johnson, for the many hours of hard work that she personally spent assisting me with the development of the recommended budget for your consideration for the coming fiscal year.

In closing as we move into a period of improving economic conditions we must be mindful of the effects of the consolidations of large corporations who currently are located in southeastern Connecticut. We will continue to look to make East Lyme the wonderful place to live, raise our children and work that it has been for so many years.

Respectfully submitted,



Paul M. Formica
First Selectman