

Town of

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East Lyme

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February 4, 2015

TO: Board of Selectmen

FROM: Mark C. Nickerson, First Selectman

Board Members:

Tonight, I present to you the working draft of the Board of Selectmen budget for 2015-16. As you are aware, this is my first opportunity to preside over this process. I have used my experience as a business owner for 25 years, combined with my previous 5 years' experience on the Board of Selectmen to craft this budget. It is the same line-by-line, in-depth approach that has been used during the past 7 years. Each department head was interviewed and their budget was reviewed line by line. I look forward to and expect your input as we further fine-tune this approach for public approval.

You will find that the driving force behind most of the increases in department budgets are wages and benefits. Equipment and enhancement spending is relatively flat throughout the town. I encouraged our department heads to be leaders and plan for the necessary enhancements needed to deliver quality town services going forward. Yet, we need to strike a balance between delivering these improvements and keeping our taxes to our citizens as low as possible.

This proposed municipal budget that I present to you for review, \$753,772 increase for the Town, \$2,010,020 for the Board of Education, \$212,457 increase for debt service and \$243,810 increase for capital represents a total dollar increase of \$3,220,059 or 4.95%.

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 continuing recovery, more and more people will be utilizing economical recreation opportunities.
2. The Chief Building Official requested a full time Building Official to assist him; I supported an increase in part time hours. There has been a noted increase in permit activity in each of the four past fiscal years and we are receiving permits for the Gateway Project. In addition, the Chief Building Official requested we eliminate the part-time Administrative Assistant position and replace it with a full-time Administrative Secretary. I increased the part-time position from 20 to 25 hours per week. I recommend that we, as a board speak to Mr. Smith and discuss the growing needs of his office and how we can better support him.
3. Emergency Management once again requested a fifth full-time dispatcher which I am not recommending due to the continued efforts to determine how the town wants to move forward in the future. Discussions with local town CEO's are currently underway regarding the future of the dispatch department and possible regionalization.

4. Restoring the Planning Director to full-time status and creating new position GIS Analyst/Assistant Planning Director has been requested by the Planning Commission. Due to the decrease of activity in this area, I cannot support this transition at this time. The GIS Analyst position is to assist with a proposed GIS platform enhancement which also requires a substantial infrastructure investment which needs more education of town Boards to support moving forward with such a change in the way we do business. There is real room for growth here. I anticipate the need for another employee to support our Planning/Wetlands/GIS department in the near future. This will enable and support better planning and enforcement and also a greater use of GIS services thru-out town departments.
5. In coordination with restoring the Planning Director to full-time status, a recommendation was made to restore additional hours to the Wetlands Officer. At this time, I am leaving these responsibilities with the Planner.
6. The one department where I support staff changes is Commission on Aging. A senior staff member has given notice she plans to retire in July 2015. As a result, Cathy Wilson has recommended a restructure of how the department provides services. The proposal maintains the level of staffing, however, makes changes of the duties and responsibilities of the employees. We would hire a Program Coordinator (Class VII) instead of replacing the Administrative Assistant (Class VI) and upgrade the Administrative Secretary (Class III) to Senior Center Associate (Class IV). This works out to be budget neutral due to the Administrative Assistant retiring being at the top of the Class and the new employee will start at the bottom.
7. The Parks & Recreation Department once again includes an increase in wages in the Part Time Seasonal. This is due to minimum wage increase to \$9.60 effective January 1, 2015.
8. Where possible, departmental operating costs have been kept to a minimum maintaining or decreasing the 2014/15 level of spending. Increases in operating costs are primarily due to contract obligations, health insurance and pension benefits, state mandates, new debt and the Capital Improvement Program.
9. In working on the proposed 2015/2016 Capital Improvement Program we continue the trend of the multi-year acquisition program for the seventh consecutive year to maintain and replace aging vehicles from our fleet; for the upgrade of Board of Education technology infrastructure; for a bonding program for town-wide infrastructure improvements consistent with our debt management plan and improved efficiency in use of LoCIP funds.
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 the most 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>2014/15</u>	<u>2015/16</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
General Government	\$16.127	\$16.880	\$.753	4.67%
Board of Education	42.793	44.803	\$2.010	4.70%
Debt Service	5.105	5.317	\$.212	4.16%
Capital	1.088	1.332	\$.244	22.39%
Totals	\$65.113	\$68.333	\$3.220	4.95%

The proposed budget includes a 4.70% increase from the Superintendent of Schools for the Board of Education who will act upon the budget later this month; I propose a 4.67% increase for the Town, a 4.16% increase for Debt Service and a 22.39% increase for capital. Together, the entire municipal budget is expected to increase by \$3,220 million or 4.95%.

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.

First Selectman \$8,555

Increase primarily due to general wage increase. Also, I restored \$2,000 to the part-time assistant position for relief staff when my Executive Assistant takes leave time. It is important to have someone in the office at all times.

Building \$21,728

As noted in my opening remarks, this increase is for additional hours in part-time assistance for the Chief Building Official. As permit activity continues to increase and as long time projects come to fruition we expect more demand for inspections. In addition, a request was made to eliminate the part-time Administrative Assistant position and establish a full-time Administrative Secretary position. At this time, I support increasing the Administrative Assistant position from twenty to twenty five hours per week.

Town Clerk \$8,221

During this fiscal year we had several changes in staffing due to town-wide positions that became available. When the Tax Aide accepted a position change to the Parks and Recreation Department we made changes to the number of hours in the position in the Tax Office. We decreased the number of hours from thirty to twenty five per week and increased the number of hours in the part-time Assistant Town Clerk from twenty five to thirty hours per week. Therefore, the Tax budget decreased by \$5,578 and the Town Clerk budget increased by \$8,221.

Health \$3,534

As you know, we belong to Ledge Light Health District. In fiscal year ending 6/30/2012 they reduced our per capita rate from \$7.60 to \$6.85 – a 9.87% decrease. They maintained that rate for fye 6/30/13, increased to \$6.88 in 6/30/14 a .44% increase and increased to \$6.98 in the current fiscal year or 1.45% . For the first time in several years the fee increased by 2.44% or to \$7.15 per capita.

Health Benefits/Town \$119,184

While other cities and towns have been experiencing double digit increases for several years, this is the second year our preliminary renewal from our current carrier is 10%. Effective July 1, 2014, we implemented the change to Aetna after a year of negotiating the “equal to or better benefits” with the Town and Board of Education employees. In the coming weeks more information will be forth-coming and I am hopeful to maintain our budget at or slightly above our 2014/15 level. This amount would be higher; however our efforts to increase contractual cost sharing and coverage changes contribute in keeping the overall cost down. We continue to offer wellness programs to promote healthier, happier more productive employees with the expectation of reducing health insurance and workers compensation premiums.

Pension \$56,866

This represents an increase in the annual required contribution (approximately 5%) to the town’s defined benefit pension plan which is the result of the Actuarial Valuation. The Pension Committee is in the sixth year of oversight. The Committee reviews 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 near future. In addition, we fund the Defined Contribution Plan on an ongoing basis, the increase being 3%.

FICA/Medicare \$53,852

Payroll taxes increased in relation to wage increases of the various employee groups as follows: The impact of the Management non-union wage increases of 1.5% July 1, 2014 and January 1, 2015, and Police wage increases of 3% 7/1/2014 and 2.5% 7/1/2015. Dispatchers, Council 4 and Firefighter contracts expire June 30, 2015 and successor agreements have yet to be agreed upon.

Workers Compensation Insurance \$63,778

Represents a 20% increase over our current 2014/15 fiscal year premiums. The rate includes inflation and exposure increases. It also includes a provision of \$6,000 for payroll audit differences. As you know, our Health and Safety Committee received the 2014 Risk Management Achievement Award which we proudly display in the entryway. Our committee is composed of employees and management from across the organization to identify risks and collaborate to find solutions.

Liability Insurance \$32,799

Represents a 10% increase in our various property, auto and liability policies. Funding also includes \$10,000 to deal with claim deductibles, \$3,000 for add ons during the year, \$5,000 for the Underground Storage Tank Policy, \$3,615 for Crime Policy and \$312 for Tax Collectors Bond.

Contingency \$127,939

The increase in this area of the budget is due to Council 4, Dispatch and Firefighters contract expiration dates of June 30, 2015 and a provision for Management and non-union employees for 2015/16.

As in the past, I plan to appoint the Deputy First Selectman and Selectwoman Hardy as a committee to review non-union employee benefits and make a recommendation for consideration for this group. I recommend that we continue this practice going forward.

In addition, I am recommending restoring the budget contingency account to \$145,000. For the 2014/15 fiscal year we reduced it to \$130,000 due to prior year utilization and in the current fiscal year we will use all of it.

Public Safety – Police \$183,706

The increase in this department is primarily due to wages including Officers, training, overtime and for the Resident Trooper. The department did an outstanding job at holding the line in operations; however, there were increases in radio maintenance, uniforms and training supplies.

Public Safety/Niantic Fire Department \$23,608

The increase is primarily for Firefighters, Part-time Firefighters and overtime. The department also had increases for OSHA related testing, vehicle maintenance and miscellaneous equipment holding the line in all other accounts. I did make large reductions in OSHA testing with the hopes if the two fire departments work together there will be savings.

Public Safety/Flanders Fire Department \$16,271

The increase is to Firefighters, Part-time Firefighters, overtime, OSHA related testing and in various other operating accounts. Again, I did make a significant reduction in the OSHA testing with the hopes our two fire departments work together for savings.

Public Safety/Fire Marshal \$28,416

The primary reason for this increase is wage related.

Public Works (\$170,051)

The decrease is due to restoring the Town Aid Grant back to \$162,169. Our Public Works Director has done an outstanding job at maintaining the line.

Library- \$45,554

The increase requested by the East Lyme Library is primarily due to salaries and fringe benefits with some also for materials. Their initial request was reduced. I have worked with the Director to agree to a reduction that would not significantly reduce services.

Parks and Recreation – \$33,371

The increase is due primarily to wages in particular the January 1, 2015 increase in minimum wage to \$9.60 per hour for part-time seasonal employees. Our Parks and Recreation Director has done a great job at maintaining other operating costs.

Debt Service/Interest on Debt – (\$58,244)

A slight decrease here due in part to another refunding during the 2014/15 fiscal year. With the most recent refunding number five during the past five years, total budget savings is \$2,259,000. We are continuously monitoring our debt position relative to planning for future projects.

Debt Service – Principal \$270,701

The increase here is due to the first principal payments from the issue of 2012 and the refunding issue of 2012. Although we have a change, we continuously monitor our total debt payments from one year to the next to manage the budget impact. Our total debt service is within the range we established.

Capital Outlays/Equipment - \$243,810

We have developed a plan 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. In the first year of implementing road improvements residents would complement on the progress, now everyone wants to know when their roads will be done!

We are in the process of our sixth year of the vehicle acquisition package which has systematically upgraded our aging fleet. Replacing older vehicles improves operating efficiencies and decreases some of the higher maintenance costs on the older vehicles. The proposed budget will be the seventh year of this plan. My office received overwhelming praise for the road crews during the recent two snowstorms. One of the reasons our road crews are exceeding expectations is because their vehicles and equipment are actually operable and on the roads as opposed to in the garage for repairs. Having reliable equipment makes a difference.

The 2015/16 plan includes the following new equipment proposed for purchase: Public Works, Dump Truck, (2) Pick-up Trucks with plow and dump body, Loader, mini excavator with trailer to be shared with Parks & Recreation and Water & Sewer and 5 Ton Roller; Police, Detective Vehicle, (2) Police Patrol Vehicles; Parks and Recreation, Over Seeder attachment for Kubota.

Included in capital is funding in the amount of \$484,000 for the Capital Non-recurring Fund as follows: \$5,000 CAD software program, \$37,000 HVAC replacement town-wide, \$50,000 roof replacement town-wide, \$50,000 sidewalk repair, \$100,000 to be available for town-wide projects, \$40,000 for the equipment for acquisition Police vehicles and \$202,000 balance required for the Towns next mandated revaluation in October 2016.

Various town capital items as follows: \$15,000 town-wide computers continuing our replacement program, \$8,000 GIS programming, \$6,300 for acquisition payments a new town-wide telephone system, \$40,188 and \$6,612 for acquisition payments for the Scott Air Paks and Chiefs vehicle respectively for at Niantic Fire Department, \$10,800 for turn-out gear replacement at Flanders Fire Department.

We are currently in the fourth year of operations as a Regional Probate District. I continue to pursue an expanded regional approach to Animal Control.

Proposed Revenues

We are all aware of the ever-changing State budget problems. Governor Malloy will present his budget later this week 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 18th 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 - \$95,568
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Revenue Decreases:

- Taxes – (\$20,000)
- Town Aid Road Assistance – (\$181,187)

Conclusion

As previously mentioned, this budget, for the most part, reflects the maintenance of existing levels of public services within the community with very 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 \$367,573, the town's budget increase would be \$386,199 or 2.39%. The Town's overall budget including the preliminary Board of Education budget is increasing 4.95%.

New in the job, I am most amazed by the dedication and the efforts of our town's Department Heads. They do an incredible job with their respective departments. They inspire their teams to deliver first class service to our taxpayers. Over the past several years, every one of these leaders has found efficiencies to hold down expenditures in their departments. This year is no different. 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 three years.

Lastly, the East Lyme community needs to know that they have a real asset in our town's Finance Director, Anna Johnson. She is our secret weapon. Her knowledge and expertise is incredible and I am very grateful for her service to our community. Personally, I would like to acknowledge and thank Anna for the many many many hours of hard work that she spent assisting me with the development of the recommended budget for your consideration .

In closing, the budget is one of the most important things the Board of Selectmen does in the course of the year. Reviewing each department's past successes and future plans is an important part of the management process; and we do it quite well. I encourage and welcome your participation. I encourage debate and discussion. Through this process we will best serve the citizens and taxpayers of this great town of East Lyme.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark C. Nickerson', with a long, sweeping underline that extends to the right.

Mark C. Nickerson
First Selectman
Town of East Lyme