

Town of



East Lyme

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TO: Board of Finance

FROM: Mark C. Nickerson, First Selectman

Board Members:

Tonight, I present to you the budget for 2017-18. Prior to tonight, the budget requests from each department and commission has been fully vetted by me and Anna Johnson through individual meetings with department heads and chairs of these commissions. You will note in the narrative section that I made several cuts to department requests in this initial round. The Board of Selectmen received the draft budget on February 1st, 2017. They interviewed and discussed and challenged most of the town's budgets. Further cuts were made (and a few things were added back into the budget) during their month long deliberations. At the end of the process, the budget stands today at a 2.98% overall increase---this is less than last year's final percent increase.

I doubt there is anyone in Connecticut that hasn't heard of the State Government's budget crisis and pressure it is putting on municipal services throughout our state. These are not good days for Connecticut's families and businesses. Our economy is anemic at best. Industry success stories are few...and most businesses are struggling just to remain flat. All this has put an extreme pressure and an atmosphere of uncertainty on families in our community. That said, we live in a vibrant town---a town filled with great natural resources and superior departments and services. Our citizens choose to live here. They appreciate the high quality of life and are grateful for the value that we have come to expect from our tax dollars.

Our budget is a simple one. There is virtually no new programming or expansion of our municipal government. A great majority of the town's budget goes to labor and associated benefits for the people who serve our citizens. Investments must continue to be made on heavy equipment, buildings, roads and other resources but are only done so with great scrutiny and only after exhausting the value of what we already have.

I worked hard with Finance Director Anna Johnson to bring this town budget to you at 2.98%. At this proposed level of funding, some departments will be forced to scale back certain services and operational procedures. This might seem like a broken record because it has been the same message to our departments and to our citizens for the past 4-5 years. Making cuts and finding efficiencies has become more difficult with each passing year. Our departments are trim and efficient; there is little waste and zero extravagance. I look forward to and expect your input as we further fine-tune this budget plan for public approval. There can be more cuts but they will come at the expense of town services.

You will find that the driving force behind most of the increases in department budgets are wages and benefits. As you know and as we have discussed over the year, I work with our labor attorney to ensure that our union contracts are fair to all concerned. I have already negotiated 2 new contracts that are fair to all concerned. Unfortunately, a third negotiation---with our largest union---is headed to a binding arbitration hearing in the coming months. Given the state of our State's economy, I have confidence that a common sense decision will be the result.

I have encouraged our department heads to be leaders. They have done a remarkable job in developing their budgets striking a balance between delivering comparable services to our citizens yet always watching of the bottom line. They were responsible and mindful of the economic atmosphere that we must deal with when crafting their department's budgets. I am always so impressed with those who serve us---department heads and their staffs/crews. They do so much with so little.

This year is exciting in that we begin our first fiscal year with an Independent Police Department. As noted during the process of discussing the new department, we pay for the Resident Trooper services in arrears. Therefore, we need to include this funding in the 2017/18 budget. There are other start up costs being dealt with thru the capital plan and new operating costs such as new facility space rental with Waterford to process our prisoners. Some of the expenses are being dealt with through this current year's funds (contingency, town projects, locip, capital) to avoid these costs in next year's funding.

This proposed municipal budget that I present to you for review includes: \$756,735 increase for the Town, \$1,309,004 for the Board of Education, \$120,173 increase for debt service and \$124,956 decrease for capital represents a total dollar increase of \$2,060,956 or 2.98%.

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

1. Emphasis was placed on maintaining existing public services, improving and upgrading our existing town infrastructure and the prevailing quality-of-life within the Town.
2. The dispatch part of the Emergency Management budget has been carved out, due to our Police Department going independent. Supervision of this department will now be with the Police Department. An additional full-time dispatcher was requested, which I am not recommending due to this being our first year under the new system of management.
3. The Parks & Recreation Department once again includes an increase in wages in the Part Time Seasonal. This is due to minimum wage increase to \$10.10 that became effective January 1, 2017.
7. Where possible, departmental operating costs have been kept to a minimum maintaining or decreasing the 2016/17 level of spending. Increases in operating costs are primarily due to contract obligations, health insurance and pension benefits...these equal about 51.6% of the towns increase.
8. You will note throughout the budget many departments with little or no increases. I must point out that this may be due to Police and Fire Union contracts expiring June 30, 2017 and we are just beginning the process of meeting. In addition, our largest Union UPSEU expired June 30, 2016 and it currently in arbitration. Therefore, we have made a provision in the Contingency Department for estimated wage increases once the contracts are resolved.
9. In working on the proposed 2017/2018 Capital Improvement Program we continue the trend of the multi-year acquisition program for the ninth 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 was originally funded at \$125,000 to continue with the practice established to have a resource to fund unplanned expenditures during the fiscal year, however, the Board of Selectmen increased it by \$75,000 to \$200,000 due to the uncertain economic times. 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.
11. This year we have included a notation of the budget worksheets of revenues we receive related to the individual departments for information purposes.
12. Last year, the Historic Properties Commission budget funding was included in department 115. For the

proposed 2017/18 budget, we established an independent department 139.

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

	<u>2016/17</u>	<u>2017/18</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
General Government	\$17.457	\$18.214	\$0.756	4.33%
Debt Service	5.253	5.373	0.120	2.29
Capital	1.048	0.924	(0.125)	(11.92%)
Total Town Only	23.759	24.511	0.752	3.16%
Board of Education	45.484	46.793	1.309	2.88%
Total Town and BoE	\$69.244	\$71.304	\$2.060	2.98%

The proposed budget includes a 2.88% increase proposed by the Superintendent of Schools and approved by the Board of Education; I propose a 4.33% increase for the Town, a 2.29% increase for Debt Service and a 11.92% decrease for capital. Together, the entire municipal budget is expected to increase by \$2,060 million or 2.98%.

Budget Increases/Highlights

The following major cost increases and decreases 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, the Board of Selectmen passing on to you in total the Board of Education budget as presented.

First Selectman (\$15,832)

Decrease primarily due to our long time Executive Assistant retiring and the hiring of her successor at a lower salary.

Assessor (\$11,981)

Decrease primarily due to our previous Assessor retiring and hiring a successor at a lower salary.

Health Benefits/Town \$90,357

The 2014/15 fiscal year was catastrophic as it relates to our health insurance program and we are still struggling to re-build our reserves. We have seen some positive monthly trends within the current fiscal year. However, as a result of our bad claim year, the projected increase for 2017/18 is 11.9%. We are working with our Insurance Consultants at Brown and Brown to aggressively seek alternative cost saving bids and will report more on this as we proceed through the budget process.

Pension \$147,889

This represents an increase in the annual required contribution to the town's defined benefit pension plan which is the result of the Actuarial Valuation and budget estimates from the Plan Actuary. Since the timing of the annual

valuation comes after the proposed budget process, in order to more accurately project the funding, our actuary provided us with a budget estimate. The Pension Committee is in the eighth year of oversight. The Committee reviews reports on the results of the changes made to the portfolio resulting in increased stability for the fund.

FICA/Medicare \$14,605

Payroll taxes increased in relation to wage increases of the various employee groups as follows: The impact of the wage increases during the 2016/17 year of 2.5% for management non-union employees, Police and Dispatchers and 2% for Firefighters. Group we have 2015/16 rates for is UPSEU and we are in arbitration with this group.

Workers Compensation Insurance \$45,249

Represents a 10% increase over our current 2016/17 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, we have a Health and Safety Committee composed of employees and management from across the organization to identify risks and collaborate to find solutions.

Retirement Liability \$103,726

As you may know, we have an aging work-force and are beginning to have employees retire with each fiscal year. We have noticed the unfunded accrued leave time liability growing with each passing fiscal year. For June 30, 2016 it was in excess of \$800,000. We reviewed our employee groups for individuals who have expressed the possibility of retiring in the 2017/18 fiscal year and budgeted for the pay-out of their accrued leave.

Contingency \$49,521

In the 2016/17 fiscal year, we made a large increase in the contingency account because we made several large reductions in the proposed budget and were concerned with shortfalls. The original proposed contingency budget was \$125,000; the Board of Selectmen increased it by \$75,000 to \$200,000. The reason for the increase was to provide for additional funds during these difficult budget times. Our payroll contingency is higher due to Police, Fire and UPSEU collective bargaining agreements that have expired. This serves as a good planning tool in the event we have unplanned expenditures.

Public Safety – Dispatch \$366,209

As previously discussed, Dispatch was previously budgeted in the Emergency Management Department and is a budget shift. We have carved the Dispatch funding out and created a new department. The supervision of this group of employees will now be with the Police. A new dispatcher was added which I did not support at this time.

Public Safety – Police \$163,242

This is our inaugural budget year for establishing an independent Police Department. The increase in this department is for several reasons. In particular we pay for the Resident Trooper services in arrears, therefore, must budget to pay for the services we are currently receiving in the 2017/18 budget. We included funding for a Police Chief and the Part-Time Clerical support staff which we hired half way through the prior budget year. The end of year balances for saved Holidays continues to grow. We increased overtime by \$20,000 to be more in line with our annual trend. In order to gain an understanding of our infrastructure needs, we will begin as an independent department leasing facility space from Waterford for booking purposes.

Public Safety/Niantic Fire Department \$10,276

The increase is spread through various budget accounts.

Public Safety/Flanders Fire Department \$10,900

The increase is primarily for Firefighters overtime.

Public Safety/Emergency Management-Fire Marshal (\$343,202)

The primary reason for this decrease is carving out the Dispatch related funding and establishing a separate department.

Public Safety – Animal Control \$33,868

We have been in a Regional Contract for this service with the Town of Waterford for many years. In the past, the Animal Control Officer (ACO) was a Waterford employee. With the retirement of the former ACO, the employee is now a Town of East Lyme employee. This was our inaugural budget year. In the past there were several volunteers Waterford was able to call on to fill in the gaps, which no longer exists. Therefore, we found the need to hire a part-time ACO. In addition, there were some operational areas that needed increasing. We will bill Waterford for half of the ACO related expenditures.

Public Works \$39,789

Modest increase due to UPSEU contract being in arbitration. Our Public Works Director continues to do an outstanding job at maintaining the line.

Library- \$28,077

The increase requested by the East Lyme Library is primarily due to salaries and fringe benefits with some also for materials and was based on needs. Their initial request was reduced.

Parks and Recreation – \$18,268

Modest increase is due primarily to UPSEU contract being in arbitration. Minimum wage increased to \$10.10 per hour for part-time seasonal employees which relates to a \$10,061 increase. Our Parks and Recreation Director continues to do a great job at maintaining other operating costs.

Debt Service/Interest on Debt – \$11,277

In planning for the proposed Elementary School Projects move forward, \$56,800 is included for bond interest for the Architect and Engineering work in the upcoming fiscal year. The net increase is \$11,277 due to existing debt retiring. We are continuously monitoring our debt position relative to planning for future projects.

Debt Service – Principal \$108,896

The net increase here is due to the refunding 2016 GOB issue and beginning to make principal payments on the GOB issue of 2014. 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 – (\$124,956)

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. Our Public Works Department monitors and updates the roads to be worked on annually.

We are in the process of our eighth 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 ninth year of this plan. Having reliable equipment makes a difference in the service our employees provide.

The 2017/18 plan includes the following new equipment proposed for purchase: Public Works, Dump Truck, and a Flail Mower: (2) Police Patrol Vehicles and related equipment; Parks and Recreation, pick-up truck.

Included in capital is funding in the amount of \$175,000 for the Capital Non-recurring Fund as follows: \$5,000 CAD software program, \$10,000 HVAC replacement town-wide, \$10,000 roof replacement town-wide, \$20,000 to replace the Cooling Tower at ELCC, \$25,000 sidewalk repair, \$50,000 to be available for town-wide projects, \$5,000 Town-wide Servers and \$50,000 for the Towns next mandated revaluation in October 2020.

The Town and the BoE currently use different software programs which makes end of year work very cumbersome. Our Auditors have recommended obtaining one system to be shared. We obtained a quote in the amount of \$466,763 which includes licensing, file conversion and training. We propose including this in the acquisition program over a five year period for \$97,493.

Various town capital items as follows: \$10,000 town-wide computers continuing our replacement program, \$40,188 and \$6,612 for acquisition payments for the Scott Air Paks and Chiefs vehicle respectively for at Niantic Fire Department, \$9,600 for turn-out gear replacement, \$8,000 for Thermal Imaging Camera and \$822 for Scott Air Pak Acquisition, \$5,000 for two-way battery replacement, \$6,000 for assorted fire hose and \$9,600 for turn-out gear replacement at Flanders Fire Department and \$7,500 for Public Works snow plows.

Proposed Revenues

We are all aware of the ever-changing State budget problems. Governor Malloy presented an unrealistic budget on February 8, 2017 that was considered dead-on-arrival before he even finished his presentation. Legislators are busy at the State's Capital crafting a more palatable budget. I attend meetings weekly regarding proposed state aid cuts, budget funding and legislative bills being proposed during this session. CCM, COST, SECOG, public hearings, and meetings with our state representatives keep me informed and keep East Lyme's interests front and center to those who make decisions in Hartford.

We have crafted this budget focused on the expense side only. We cannot focus on the probable cuts in funding or revenue streams drying up because no one has a crystal ball. We simply do not know what the revenue side of the ledger will show when the state's budget is finalized sometime in June or July. Our operating budget is lean and efficient.

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 \$10,000 or above are shown.

Revenue Increase:

- Taxes Prior Year Grand Lists - \$100,000
- Interest & Liens – Prior Years - \$25,000
- State Grants – DUI - \$13,500
- Beach and Recreation - \$30,000
- Conveyance Taxes - \$20,000
- Extra Duty – Police/Fire - \$20,000
- Recycling – Other - \$11,500
- Misc – Dog Revenue - \$11,338

Revenue Decreases:

- Education Cost Sharing – (\$125,644)
- MRSA Sales Tax Sharing – (\$243,736)
- Tuition – Other Districts – (\$144,466)

- Landfill Deposits (\$15,000)
- Streetlight Rebate (\$122,00)

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.

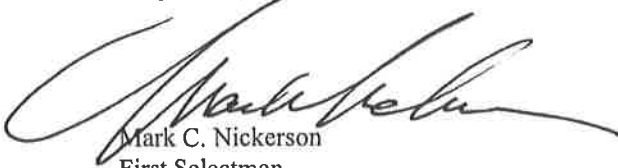
This budget represents a fiscally conservative and prudent approach to developing a town-wide spending plan for the coming year. If we were to remove the wage increases reflected in the budget in the amount of \$207,895 the town's budget increase would be \$513,098 or 2.94%. The Town's overall budget including the preliminary Board of Education budget is increasing 2.98%.

As I begin my third year as East Lyme's First Selectman, I continue to be 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 previous years.

Lastly, the East Lyme community needs to know that they have a real asset in our town's Finance Director, Anna Johnson. She's incredible. I said it last year and I'll say it again, she is our secret weapon. There is significant value when someone with her talent works in a position long enough to understand the bigger picture and is able to guide others. 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 and for her sharp-minded fiscal counsel throughout the year..

These are tough economic times. They are some of the hardest that leaders of our town have ever had to face. But we will manage through them. There are solutions to the problems that we face. Good leadership stands tall and accepts the challenge.

Respectfully submitted,



Mark C. Nickerson
First Selectman
Town of East Lyme

