

# Town of

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First Selectman  
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# East Lyme

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February 7, 2018

TO: Board of Selectmen

FROM: Mark C. Nickerson, First Selectman

Board Members:

I proudly deliver to you the working draft of the Board of Selectman budget for the 2018-2019 fiscal year.

Our state's economy continues to slide downward and Connecticut residents are increasingly paying the price. Our state government's budget crisis dominates the headlines and creates anxiety and worry to all. It has put extreme pressure and created an atmosphere of worry on families across our state. It is far more expensive to live...and die in Connecticut than ever before. And based on the state's balance sheet, we have not yet hit our bottom.

Because of the state's fiscal mess, these are tough days for municipalities too. We are caught between reductions in state aid, a mediocre business climate, and rising costs for goods and services. Health care, liability insurance, collective bargaining wages and associated benefits have all out-paced the private sector's cost of living...by far. Containing costs on the municipal level has been a real challenge for most towns. I'm proud to say that East Lyme has been extremely successful thus far in weathering the storm.

BALANCE IS THE KEY: Most of my reflection and planning for spending in our town is focused on the "value we receive" from the money we spend. Businesses call this "Return on Investment" (ROI) ...we are no different. We are trying to strike a balance at all times...the balance of taxes vs. services delivered. With the loss of state aid and the natural rise in the cost of delivering municipal services, we are trying to strike a balance between raising taxes to pay for the services we value, eliminating services that we can no longer support, and increased pressure to uncover efficiencies through shared services (regionalization).

Losing large chunks of state aid and shifting that burden onto property taxes is the real issue for today and the near future. Obviously, making sure our town remains affordable and favorable will be the central challenge. Already, we have created an atmosphere where that "equation" or "balance" plays into every single decision we make in our town...365 days a year. We don't just consider these issues during budget season. Literally, the value of return of the tax money we spend (the ROI) is part of every conversation I have with every town employee and commission member throughout the year.

We must prepare for the eventual loss of state aid (currently at \$7.62 million) and the burden it will have on our property taxes. Living within our means might mean the loss of some town services in the future. Of course, when services are cut or standards are lowered, it will be impossible to please everyone. Eliminating traditional services, cutting back hours, and lowering service-level expectations will be met with criticism by some and applauded by others. The value of our services is in the eye of the beholder. Half our citizens might value and even rely on a particular service while the other half will call it wasteful spending. Although we have been able to maintain service and standards thus far, we will need to make some very difficult decisions in the coming years.

THE BUDGET: I am delivering a ZERO PERCENT INCREASE in the town's budget. Needless to say, this is a bare bones budget. I worked alongside our finance director, Anna Johnson and met with each department head, agency, and commission to streamline all services that we deliver and expenses we must endure. There is NO new programming, services or expansion of our town's government. Most of our budget goes to labor and the benefits that are provided to our workforce. While we must continue to invest in materials, equipment, maintenance, roads, and other resources, we only do so only after an exhausting process of scrutinizing every detail and measuring each item's value.

The entire town's leadership---department heads, supervisors, commissioners and board members like you---know that we are in survival mode right now. We are struggling to keep taxes and expenses as low as possible yet we are still trying to deliver the high quality of town services and programming that our residents have come to love and expect.

NO NEW PROJECTS...PERIOD. We are finishing projects in our town that we started 5+ years ago. Most of the town projects are being completed with state grant money. The new Main Street Park, bathrooms and dinghy docks in Cini Park, and the school renovation project are all projects that had their start several years before I arrived in this position 3 years ago. In fact, since becoming First Selectman, I have proposed no new building or project initiatives. This isn't something I'm proud of, but it is necessary in order to survive through the state's economic crisis.

The only project on our near horizon that we MUST focus on is a Public Safety facility. Our police department was moved to a "temporary facility" back in 2005 while the town formulated plans to build a permanent, professional and appropriate structure. Since then, two plans failed to win approval. We MUST either commit to invest money to renovate and expand the current facility or build a new facility. The current structure is not adequate in size or layout and its condition is deteriorating rapidly. Our town must make a decision in the coming year to renovate or build new. Planning is in the works now to determine the best course of action.

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. Where possible, departmental operating costs have been kept to a minimum maintaining or decreasing the 2017/18 level of spending. Increases in operating costs are primarily due to contract obligations, health insurance and pension benefits.
3. You will note a decrease in the Parks and Recreation budget. We have removed the budget expenditures related to beach operations from the general fund operating budget. These expenditures and related beach pass revenues will be re-located in the Special Revenue Fund.
4. Positions have been eliminated or hours reduced where possible through attrition. We have done this as a way to combat the revenue reductions we are dealing with.
5. In working on the proposed 2018/2019 Capital Improvement Program we continue the trend of the multi-year acquisition program for the tenth 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.

6. The Contingency line item has been funded at \$150,930 to continue with the practice established to have a resource to fund unplanned expenditures during the fiscal year particularly in a year of lean department funding. 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>2017/18</u>	<u>2018/19</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
<b>General Government</b>	<b>\$18.094</b>	<b>\$18.094</b>	<b>\$0.0</b>	<b>.0%</b>
<b>Debt Service</b>	<b>5.373</b>	<b>5.369</b>	<b>(0.004)</b>	<b>(.07)</b>
<b>Capital</b>	<b>.791</b>	<b>.795</b>	<b>0.004</b>	<b>.45%</b>
<b>Total Town Only</b>	<b>24.259</b>	<b>24.259</b>	<b>0.0</b>	<b>.0%</b>
<b>Board of Education</b>	<b>46.568</b>	<b>47.774</b>	<b>1.206</b>	<b>2.59%</b>
<b>Total Town and BoE</b>	<b>\$70.827</b>	<b>\$72.033</b>	<b>\$1.206</b>	<b>1.70%</b>

The proposed budget includes a 2.59% increase proposed by the Superintendent of Schools and approved by the Board of Education; I propose a .0% increase for the Town, a .07% decrease for Debt Service and a .45% increase for capital. Together, the entire municipal budget is expected to increase by \$1.206 million or 1.70%.

**Budget Increases & Decreases**

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 or decreases 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.

Town Clerk (\$31,930)

The department has been serving the public with two full time staff members successfully during the past two years, therefore, with the new Town Clerk we have eliminated the part time position. In addition, the Preservation expenditure is relative to revenues collected and remitted to the state. Since the State has increased the fee from \$2 per document to \$8 per document, we will establish a reimbursement method for collecting and payment

Health Benefits/Town \$295,853

We have a self insured program, and due to an aging work force continue to see steady monthly claims. At this time in the process the projected increase for 2018/19 is 15.84%. 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 \$86,685

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. The Pension Committee is in the ninth year of oversight. The Committee reviews reports on the results of the changes made to the portfolio resulting in increased stability for the fund.

Liability Insurances \$12,298

We have a multi-year rate stabilization agreement with CIRMA our insurance provider. The increase for the upcoming fiscal year is 3%. The percent increase is greater due to other items funded in the account.

Contingency (\$59,102)

We are budgeting general contingency at \$150,930, this provides a source of funding for budget over-runs and un-expected expenditures that may arise within the fiscal year. Our payroll contingency is \$175,219 for Police, Fire and UPSEU collective bargaining agreements that have expired and for non-affiliated COLA's. This serves as a good planning tool in the event we have unplanned expenditures.

Public Safety – Dispatch \$73,453

We are going into the second year of our independent Dispatch Department which is managed by the Police Department now that we are an independent force. The reason for the increase is a 5<sup>th</sup> Dispatcher which will be brought before the boards for approval during the current fiscal year. It has been determined necessary to have two staff members for per shift for safety purposes. While the department requested two, at this time I am supporting one. In addition, the IMC program was not properly funded in the current year, therefore, a correction for this is included.

Public Safety – Police (\$27,079)

Decrease primarily due to no longer budgeting for the Resident Trooper. Although 2017/18 was the inaugural year for our Independent Police Department, because we paid in arrears for the Trooper it was included in the current year budget.

Public Safety/Niantic Fire Department \$16,333

The increase is primarily wages and vehicle repairs.

Public Safety/Flanders Fire Department \$15,392

The increase is primarily for Firefighters overtime and vehicle repairs.

Public Safety/Emergency Management-Fire Marshal (\$68,846)

The primary reason for this decrease is elimination of the Fire Marshal position due to the retirement of the current Fire Marshal/Emergency Management Director. We will move forward with a new model for this area of Public Safety.

### Public Works (\$121,006)

A couple of items are worth noting here. When our long time Highway Superintendent retired we took the opportunity to change how we manage staff in this department. We established General Foreman and Working Foreman positions and elevated the Master Mechanic position. In addition, we removed funding the LoCIP grant in the general fund. Rather we will manage that source of funds in the Capital and Non-recurring Fund since many of the projects overlap in fiscal years. Our Public Works Director continues to do an outstanding job at maintaining the line.

### Library- \$28,723

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 of 4.13% was reduced to 2.5%.

### Parks and Recreation – (\$225,886)

During prior budget years, costs related to operating our beaches has become a prime focus of discussion. Therefore, for the 2018/19 fiscal year we have removed those expenditures from the general fund operating budget and will move them to our Special Revenue Fund for accountability. In addition, with two Parks Maintainer employees leaving we have eliminated one of the positions. The department will have 3 rather than 4 full time positions and we will use more seasonal staff for the peak park time. Our Parks and Recreation Director continues to do a great job at maintaining other operating costs.

### Capital Outlays/Equipment - \$3,540

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 ninth 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 tenth year of this plan. Having reliable equipment makes a difference in the service our employees provide.

The 2018/19 plan includes the following new equipment proposed for purchase: Public Works, Trash Truck, and a Trackless Tractor for snow removal on sidewalks.

Included in capital is funding in the amount of \$130,000 for the Capital Non-recurring Fund as follows: \$15,000 HVAC replacement town-wide, \$10,000 roof replacement town-wide, \$42,560 to be available for town-wide projects, \$5,000 Town-wide Servers and \$42,561 for the Towns next mandated revaluation in October 2020.

Various town capital items as follows: \$10,000 town-wide computers continuing our replacement program, \$54,801 for P&R acquisition program, \$40,188 and \$551 for acquisition payments for the Scott Air Paks and Chiefs vehicle respectively for at Niantic Fire Department, \$11,200 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 \$11,200 for turn-out gear replacement at Flanders Fire Department and \$7,500 for Public Works snow plows.

### Proposed Revenues

The revenue side of the budget is bleak. We are all aware of the ever-changing State budget problems. Although Governor Malloy is scheduled to present his budget on February 7, 2018 he released local revenues early. As you know, we took Governor implemented budget holdbacks/lapses in the amount of \$981,552 in our current year. We have included projected revenues for your review; however they are subject to change as the budget season moves forward. These revenue sources, as well as their amounts, may change as the Governor's 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 \$10,000 or above are shown.

#### Revenue Increases:

- Misc Dog Revenue – \$14,021

#### Revenue Decreases:

- Education Cost Sharing – (\$124,297)
- Mashantucket Pequot and Mohegan Fund – (\$49,976)
- Municipal Stabilization Grant – (62,293)
- Tax Relief Elderly – (\$91,753)
- Building Permits – (\$57,700)
- Extra Duty – Police Fire – (\$20,000)
- Tuition – Other Districts – (\$181,945)
- Landfill Deposits (\$10,000)
- OTI Sewer Assessments (\$356,699)

### 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. Be warned that going forward, in order to maintain current levels of services, increases in tax will be inevitable.

This budget represents a fiscally conservative and prudent approach to developing a town-wide spending plan for the coming year. The Town's overall budget including the preliminary Board of Education budget is increasing 1.7%. Given the significant cuts in state aid during the last state budget cycle and the anticipated cuts in next year's funding, this is a great number.

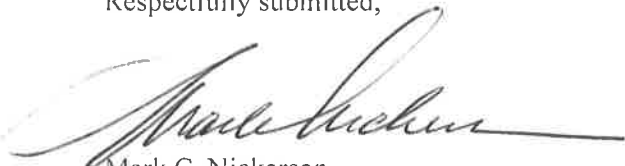
As I begin my fourth year as East Lyme's First Selectman, I continue to be amazed by the dedication and the efforts of our town's Department Heads. They do an incredible job with their respective departments and they inspire their teams to deliver first class service to our taxpayers. A great majority of them live in our town and they understand first-hand the struggles of balancing services with increasing costs. 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 am fortunate to work alongside these professionals and I am often amazed at their attitude, persistence, and ability to lead their departments through this economic downturn. East Lyme continues to deliver municipal services with less...our department heads deserve all the credit.

Anna Johnson is not only the town's Financial Director, she has earned a leadership position in the overall operation of the town. She is trustworthy, dependable and an amazing asset to all those who have the pleasure of dealing with her. I could not do the job I'm doing without her guidance and support. Her knowledge and expertise in all the town's functions is incredible. 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.

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 horizontal line extending to the right.

Mark C. Nickerson  
First Selectman  
Town of East Lyme