

Town of

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East Lyme

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TO: Board of Selectmen

FROM: Mark C. Nickerson, First Selectman

Board Members:

Attached is the working draft of the Board of Selectman budget for the 2019-2020 fiscal year.

When I was planning and developing this budget, "value" was an important concept. Another favorite term that was used in every meeting was: "need versus want". Year in and year out we have always tried to find the balance between the taxes we must levy and the services we deliver. With diminishing state aid along with the natural rise in the cost of delivering municipal services, we must 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). Together, through this budget process, you will help me and our fine department heads shape the direction of the town for the next year.

Once again, I have developed 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. Last year's ZERO percent budget increase was great on paper but took its toll on our departments' ability to deliver the high standard of service that is expected. Additionally, some equipment in town needs replacing...we can't just keep putting this off. As you know, 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, but we only do so only after an exhausting process of scrutinizing every detail and measuring each item's value.

Although leadership and attitude has changed a bit in Hartford, these continue to be difficult times for the families and businesses of Connecticut. Our state's budget crisis and financial outlook continues to dominate the headlines and create anxiety and worry.

These are tough days for municipalities too. We are faced with rising costs for goods and services year after year. We are preparing to move to the State's health care program to remove the perennial problem of double-digit cost increases. Stability will return to our process and I anticipate a more competitive position in future years. Liability insurance, unemployment insurance and workman's comp all have flat or decreased budgets because of the town's improved performance in risk management. Though Connecticut's binding arbitration laws allow for municipal and state employee wages to out-pace the private sector, we have successfully negotiated small cost of living increases and also made improvements to the terms of the contracts. The employee/employer relationship throughout town departments is strong. We value those who serve our town.

The entire town's leadership---department heads, supervisors, commissioners and board members like you---know that there is a delicate balance between taxes and quality of life. We all enjoy the quality that this town has: quality services, the quality of our schools that help keep our property values high, the parks and beaches, and safety of our community from our first responders. But paying for these things, as well as the many necessary things that are required/mandated, comes at a cost.

NO NEW PROJECTS...PERIOD. I am forecasting no new projects in our town for the foreseeable future. The only project on our near horizon that we MUST focus on is the new Public Safety facility. Our town is preparing to head to referendum to decide on purchasing and renovating a \$5 million facility. This is less than half of the cost of a facility as originally planned. I am hopeful for a positive outcome and that we can finally solve this lingering problem.

THESE GUIDELINES were used to develop the proposed budget:

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 2018/19 level of spending. Increases in operating costs are primarily due to contract obligations, health insurance and pension benefits.
3. This budget includes enhancing our Public Safety staffing with one of two proposed Police Officers, one additional Dispatcher and two new Firefighters. There is a plan for East Lyme Ambulance to subsidize the two new Firefighters which is in the final stages of reaching an agreement between the Town and the Ambulance Association. The Firefighters will work an overnight shift to provide much needed coverage for this time period.
4. We have begun the process of growing our fund balance. We will work on this over several years, the first step being decreasing the amount of fund balance as a projected revenue.
5. In working on the proposed 2019/2020 Capital Improvement Program we continue the trend of the multi-year acquisition program for the eleventh 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 \$192,000 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 Standard and Poor's maintaining our town's high credit rating of AA 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>2018/19</u>	<u>2019/20</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
General				
Government	\$18.071	\$18.679	\$0.608	3.37%
Debt Service	5.369	5.599	0.229	4.27%
Capital	.769	.841	0.072	9.43%
Total Town Only	24.210	25.120	0.909	3.76%
Board of Education	47.576	49.497	1.920	4.04%
Total Town and BoE	\$71.787	\$74.617	\$2.830	3.94%

The proposed budget includes a 4.04% increase proposed by the Board of Education Superintendent and approved by the Board of Education; I propose a 3.37% increase for the Town, a 4.27% increase for Debt Service and a 9.43% increase for capital. Together, the entire municipal budget is expected to increase by \$2.830 million or 3.94%.

The information above is presented based upon the increase from the 2018/19 adopted budget to the 2019/20 proposed budget. On October 18, 2018, we held a town meeting to increase the Towns budget by \$203,503 and the Board of Education budget by \$394,544 due to an increased health insurance renewal. If we were to base the 2019/20 budget increase on the amended budgets; the increases would be as follows: Town 2.21%, Board of Education 3.18% and total budget 3.08%.

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 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.

Throughout the budget, wage increases are subject to timing with approval and implementation in accordance with the budget process. Therefore, throughout the budget wage increase percentages are greater than what they actually were.

Health Benefits/Town \$79,370

As you know we have struggled with out of control increasing claims with our self insured health insurance plan. Effective July 1, 2019, we will move to the State of Connecticut 2.0 plan. Based upon our original adopted 2018/19 budget we have a \$79,370 increase. However, we actually have a \$124,133 decrease based upon the amended 2018/19 budget. In addition we included \$201,677 for current year run-out claims. We are hopeful this change will result in future reduced costs in this account.

Retirement Liability \$25,000

We have an aging workforce and have seen an increase in the number of employees retiring. There are several employees that have large accrued leave balances that we must plan for pay-out. We do offer a plan to make these pay-outs over time, however, not all employees are agreeable to such a plan. There

are a number of anticipated retirements in the next year. We plan to carry-over any remaining funds in our current budget.

Liability Insurances (\$30,693)

We have a multi-year rate stabilization agreement with CIRMA our insurance provider. Our claims have been low on both the workers comp and liability areas of coverage. Therefore, CIRMA offered us a ZERO PERCENT INCREASE for workers comp and a 3.5% DECREASE for liability coverage in the upcoming fiscal year.

Contingency (\$40,423)

We are budgeting general contingency at \$192,000, this provides a source of funding for budget over-runs and un-expected expenditures that may arise within the fiscal year. This is an increase of \$38,796 over the current year. With tighter budgets we feel it prudent to have additional funds in this budget account which serves as a good planning tool in the event we have unplanned expenditures. Our payroll contingency is \$81,000 for Police, Fire and Dispatch collective bargaining agreements that have expired. Since the Police contract expired 6/30/17 we will carry-over the remaining balance in the payroll contingency in the current budget year.

Public Safety – Dispatch \$21,926

We are going into the third year of our Dispatch Department being managed by the Police Department now that we are an independent force. The reason for the increase is a sixth Dispatcher. It has been determined necessary to have two staff members for per shift for safety purposes. The department previously requested two, and we supported one. This will get us to the necessary two dispatchers per shift. Once the Dispatchers and the Police are in the same facility, the Dispatchers will be the front line of contact with the public. Also, with the sixth full time Dispatcher we were able to decrease the Part-time Dispatch account by \$39,041.

Public Safety – Police \$71,581

The increase is primarily due to an additional Police Officer. The request was for two additional Officers, however, at this time I support one. The department's budget submission states, "Our department currently functions as a highly reactive agency based on its current staffing levels. Officers are not assigned to functions that allow us to proactively address community concerns. In addition, our staffing and funding are significantly below both national average and regional comparison."

Public Safety/Niantic Fire Department \$103,383

The increase is all about wages. First, the overtime account with an increase of \$36,314 accurately reflects what we expect to pay out and the calculation information is included with the departmental budget. Also, we are adding a full-time firefighter to work an overnight shift. We are in the process of working out the terms of an agreement with East Lyme Ambulance Association to subsidize this additional staff member.

Public Safety/Flanders Fire Department \$95,230

Again, the increase here is all about wages. First, the Part-time Firefighters account increase of \$10,925 is reflective of expected actual. The overtime account increase of \$22,326 is based upon the five hours per week of contract overtime for the full-time firefighters and an estimated additional one hundred unplanned hours – a calculation is included in the department support. We are adding a full-time firefighter for an overnight in this department as well which is being subsidized by the East Lyme Ambulance Association.

Public Works \$61,000

There are various increases and decreases throughout this department's budget. In the wage area the increases are relative to the UPSEU contract settlement in the recent months. A decrease of \$17,500 was made to the Road Reconstruction and Repair account to help minimize the overall increase to this departmental budget. While the tipping fee account was increased \$11,600 this is partially offset by passing on the fee to the commercial haulers. The increase of \$40,000 is due to proposing to purchase a hook truck for \$185,000 through the acquisition program to haul our roll-off to Willimantic Waste. This will save wear, tear and mileage on our more expensive trash trucks. Also, we can plan our transports to maximize staff productivity. This will result in future budget year savings.

Commission on Aging \$16,225

Increase is due to wages related to timing of prior year increases, thus a larger increase than if wages were included in the adopted rather than amended budget. In addition, the Administrative Secretary position was reduced from 37.5 hours per week to 30 hours per week during the uncertainty period of time with State Grants and the department is requesting to restore the position to 37.5 hours per week.

Library- \$63,019

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 7.13% was reduced to 5.32%.

Parks and Recreation – \$30,602

The primary reason for the increase is due to wages and prior year timing of adopted and amended budgets.

Debt Service - \$229,159

While we strive to keep our debt service as smooth as possible, we are entering a time of taking on a large project and will encounter increases. Overall interest will increase \$309,018 and principal is decreasing \$79,859.

Capital Outlays/Equipment - \$75,542

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 multi-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 have included a report and recommended road work for the upcoming

fiscal with department 317 in your books.

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

The 2019/20 plan includes the following new equipment proposed for purchase: Public Works, F350 with 8' bed and compartments, F550 with mechanical utility body and crane and Skidsteer with mower attachments. Ford Escape for Engineering, F150 Supercab for the Fire Marshal, F150 Supercab for Flanders Fire Chief and large area mower for Parks and Recreation. Police vehicles will be purchased using funds set aside in the CNRE Fund.

Included in capital is funding in the amount of \$195,000 for the Capital Non-recurring Fund as follows: \$15,000 HVAC replacement town-wide, \$10,000 roof replacement town-wide, \$27,060 to be available for town-wide projects, \$5,000 Town-wide Servers and \$130,000 for the Towns next mandated revaluation October 2021.

Various town capital items as follows: \$10,000 town-wide computers continuing our replacement program, \$51,412 for P&R acquisition program, \$11,200 for turn-out gear replacement both NFD and FFD, \$6,698 and \$8,767 for fire departments acquisition program payments, \$8,000 for Thermal Imaging Camera, \$5,000 for two-way battery replacement, \$6,000 for assorted fire hose Flanders Fire Department, \$24,912 for prior year Police acquisition program, \$19,000 for server replacement Police, \$15,967 for Fire Marshal acquisition, \$366,047 and \$7,500 for Public Works acquisition and snow plows and \$90,000 to replace the carpeting at the Library.

Proposed Revenues

The revenue side of the budget is always a challenge. We are all aware of the ever-changing State budget problems. We now have a new Governor who will be submitting his first proposed budget in the next weeks to come. We have included projected revenues for your review; however they are subject to change as the budget season moves forward. For purposes of projected State revenues we obtained the Education Cost Sharing amount from a schedule provided by the Board of Education. All other State Grants have been projected based upon information from our contact with CCM. Increases in state revenues are due to the conservative approach in 2018/19 budgeting prior to final state grant amounts being available. These revenue sources, as well as their amounts, may change as the Governor's budget goes through the State's upcoming legislative process.

We are beginning a multi-year process to increase our Unassigned Fund Balance. Therefore, for the upcoming 2019/20 fiscal year we are reducing applied fund balance from \$675,000 to \$175,000. Our level of fund balance is low as compared to peers in our rating group. As we begin to increase our debt over the next several years it is in our best interest to work on increasing our fund balance.

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:

- Current Year Interest & Liens Taxes – \$10,000
- Education Cost Sharing - \$441,104
- Pequot Grant – 49,976
- Youth Services Bureau Grant - \$24,802
- Investment Earnings - \$28,500
- Tuition Other Districts - \$350,000
- Recycling Other - \$28,250
- Landfill Deposits - \$35,000
- Ambulance Fund Firefighter Subsidy - \$144,548

Revenue Decreases:

- Prior Year Taxes - \$15,000
- Municipal Stabilization Grant - \$504,349
- Building Permits - \$15,000
- Use of Fund Balance - \$500,000

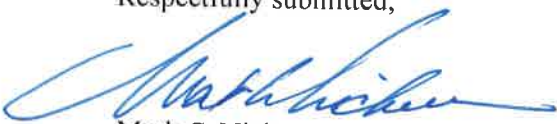
Conclusion

As I begin my fifth 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, these leaders have 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 hardship. 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,



Mark C. Nickerson
First Selectman
Town of East Lyme