

Minutes of East Lyme Board of Finance Public Hearing - 04/29/24

Date and time: 04/29/24 07:00 pm to: 04/29/24 08:15 pm

Present: Brooke Stevens, Rec Secretary (* Ms. Stevens was not in attendance), Denise Hall, Chairperson, Paul Maxfield, Richard Steel, Jay Ginsberg, John T. Birmingham, Absent;, Lauren McNamara

CC: Kevin Gervais, Finance Director, Dan Cunningham, First Selectman

Location: East Lyme High School, 30 Chesterfield Road, East Lyme, CT 06333

Topics

1. Call Meeting to Order & Pledge

Note: Chairperson Hall called the April 29th, 2024, Public Hearing of the Board of Finance to order at 7:00 p.m. and led the Pledge of Allegiance.

2. Comments by First Selectman

Note: Mr. Cunningham explained the process of budget preparation involves Department Heads presenting their desired budgets to the Finance Director and the First Selectman, followed by discussions to balance wants versus needs, leading to a proposed budget by the First Selectman. After the Board of Selectmen reviews and adjusts the proposed budget, it is submitted to the Board of Finance, who conducts a thorough review, and makes further adjustments before approval.

Note: Mr. Cunningham summarized the Town Budget, and new budgetary highlights, which included some of the following:

The proposal to centralize the fire service in East Lyme, to streamline operations and ensure efficient management of resources and expenses.

Provisions for hiring an additional firefighter to improve public safety and emergency response capabilities.

An interim Chief and Deputy Fire Chief have already been appointed to facilitate the transition to a centralized fire service.

A new commission, the Youth and Family Services Commission, was created, along with the hiring of a Youth and Family Services Director.

This service focuses on wellness, prevention, and coordination, augmenting services offered by the high school.

The town has recognized cybersecurity as a growing threat.

A new IT engineer has been budgeted for to enhance cybersecurity measures.

The Coastal Resiliency Fund was established to address damages from severe weather and rising tides, improving the town's fiscal posture and attractiveness to bond managers.

The OPEB Trust, Other Post-Employment Benefits Trust, is necessary for managing retiree benefits, and initial funding has been budgeted to start organizing it.

Plans to migrate to a new accounting and payroll system to improve efficiency and financial management.

Note: Mr. Cunningham emphasized the importance of maintaining existing town assets rather than acquiring new ones, to manage upkeep and operational costs effectively.

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2024 MAY - 1 A 8:00
Cunningham

Note Mr. Cunningham explained that the budget process involved several adjustments and reviews, leading to a proposed budget of \$30,802,987 after various cuts and additions, and the Board of Finance worked to reduce the budget increase and manage the mill rate effectively, focusing on fiscal responsibility and minimizing taxpayer burden, and reduced the budget to \$30,540,000.

3. Comments by Board of Education Chairman

Note Ms. Hall noted that Mr. Bauman is out of town and was unable to attend this evening's meeting. She explained that the Board of Finance worked closely with the Board of Education on their budget. Since there were multiple meetings and presentations in regard to the Board of Education budget, they felt an additional presentation would be unnecessary.

4. Board of Finance Presentation of Proposed FY2023-24 Budget

Note Chairman Hall introduced the Board of Finance Members, detailed the budget process, and said some of the following:

Overall, the Board considers the proposed revenues, expenses, capital and what it would ultimately mean to the mill rate, and to people's taxes.

The budget was initially submitted to the Board of Finance with an overall expenditure increase of 6.88%. This would have resulted in a mill rate increase to 26.83.

They held 7 meetings to review and deliberate on the proposed budget and met with Department Heads and with the Board of Education.

The BOF proposed reductions that would have resulted in a mill rate of 26.35.

The Board of Finance will take the comments made this evening into consideration and will meet immediately after the Public Hearing to further finalize the budget, which will subsequently be voted upon at the Town Meeting on May 13th, 2024, at 7:00 p.m., followed by the Annual Budget Referendum on May 23rd, 2024.

The BOF is not the policymaking body.

They look to see how we pay for things and how to make sure we're in good financial shape.

They try to make sure we have a healthy rainy-day fund, which is referred to as the undesignated fund balance.

They updated the fund balance policy this past year, and one thing they put in was to strive to maintain 17% of the General Fund, in that rainy day fund.

They arrived at that percentage based on the Connecticut Conference of Municipalities risk analysis.

Although this is the goal, the number is not absolute given inflation and contractual increases that they don't have control over.

This is the balancing act that the BOF looks at- how much can we afford to have set aside as a rainy-day fund that they can keep adding to, without putting undue stress on our residents and the taxes that they pay.

They also want to reduce our bonded debt and borrow less money.

Bonded debt is another metric that the rating agencies look at when deciding how much debt per capita each town has.

That goes into their determination of what our rating should be.

The higher rated you are, the lower the interest rate assigned to those bonds.

They want to keep some of these factors in mind so that we can hopefully get to a point where we could get a rating upgrade.

They're always looking to limit the burden on taxpayers.

Our debt service is large.

We have to make sure we fund our pension for our retirees.

They're looking at possibly, over the next 5 years, having to put 2 million a year into the pension.

They have to be careful with the undesignated fund balance.

When they use the funds that are in the undesignated fund balance to help reduce people's taxes, they have to consider whether they were one-time sources of revenue that allowed them to have those extra funds.

Right now, our projected fund balance as of June 30th, 2024, based on this budget, would be \$10.5 million or

12.5%.

This concerns her, since that percentage has gone down over the last couple of years, because of usage. That fund is intended to protect our town in case of need.

The proposed revenues based on this budget, would be a total increase of 5.33%.

Overall, we're looking at revenues of \$4.5 million more than we took in last year.

With this budget, the Board of Ed budget, went up by 3.87%.

Some of the needed big-ticket items include a new roof for Lillie B. Haynes School, which will be about \$4.3 million.

The Aquatic Center is also in desperate need of a new roof.

The Community Center also has issues with its roof, and will cost about 1.4 million, but not everything got passed in the capital project budget for this year.

They tried to focus on what really has to be done.

Significant focus was given to essential infrastructure needs like the school roofs and public works equipment, balancing needs with fiscal constraints.

If this budget is adopted as is tonight, it will translate into a mill rate of 26.35, which is a 1.48 mill rate increase or a change of 5.95% from last year.

She wants to assure everybody that they really tried their best to minimize the impact on our residences while taking into account that there were things that really needed to be done in town.

And focusing on public safety, especially with the reorganization of the fire department, was really key.

5. Public Discussion- Comments from the Public

Note Ms. Hall said per our Charter, any person qualified to vote at the annual town meeting is able to speak here at the Public Hearing, and she called for Public Comments.

Note Ms. Hall called for Public Comments.

5-1. Mike Schulz of 14 Lovers Lane

Note Mr. Schulz offered the following remarks:

He thanks the Board of Finance and the Board of Education for their dedicated service to the town.

He has spoken to many people in town who are concerned about the \$4.5 million increase.

It seems that every year we're saying that the budget increases are not sustainable, but yet they always do pass at referendum.

He's not sure if that's due to low voter turnout, if people just don't care, or actually have the kind of money that is being requested.

If we look at the property tax calculation, that only includes property.

It doesn't include vehicles, businesses, other taxes that we are burdened with on top of these things.

And that number of dollars is considerable, it's not quite as simple as just putting it on a property tax calculation.

He respectfully wants to point out that unionized employee compensation increases always far surpasses the tax liability.

Compensation increases in fiscal year 2023 and 2024 were as high as \$11,000 plus benefits.

A single individual health, insurance for the town, is about \$11,000 premium cost for the individual, and a family plan is about \$30,000.

The taxpayer picks up more than 80% of that.

He's not suggesting that compensation increases aren't valid, or that health insurance should not be provided.

A closer look into the contracts and the health insurance component should be reviewed with taxpayer input.

To quote CCM, affordable housing does not exist without affordable property tax.

He doesn't think our property tax is heading in the right direction.

5-2. Barry Sheckley of 21 Compass Court

Note Mr. Sheckley criticized the Board of Education for diverting attention from the full \$60 million budget to a smaller incremental increase, suggesting a need for a broader discussion on the entire budget and its effectiveness in enhancing student growth. He pointed out that the revised town Charter mandates all tax-supported agencies to operate efficiently and effectively and questioned the evidence of effectiveness in the current budget proposal.

Note Mr. Sheckley highlighted the achievements of a smaller nearby school whose robotics team qualified for a global competition, using this to question why East Lyme's schools, with more resources, are not achieving similar or better results. He expressed concerns that East Lyme students are not meeting their individual growth targets, indicating a poor return on the \$60 million investment from taxpayers.

Note Mr. Sheckley suggested supporting this year's budget request but noted that next year's proposal must clearly demonstrate what taxpayers are receiving in terms of student growth and development for their investment.

5-3. Patty Murphy of 39 Cedarbrook Lane

Note Ms. Murphy inquired about the type of revenue generated by projects approved by the Zoning Commission, specifically mentioning areas like Baptist Lane and Bridebrook.

Note Ms. Hall discussed how property ownership leads to tax revenue, influenced by property assessments which occur every five years, noting a shift in the tax base due to changes in commercial and residential property values during COVID. She also explained the expenses the town incurs when new developments are built, such as infrastructure and educational costs for additional residents.

Note Ms. Murphy asked about rental units and who is responsible for paying the property taxes on these units and Ms. Hall replied that whoever owns the units is responsible for paying the taxes.

5-4. David Blair of 34 Parker Drive

Note Mr. Blair asked for clarification regarding the apparent reduction in the public safety budget despite significant investments in establishing a town-wide fire department.

Note Mr. Gervais explained that the East Lyme Fire Service is a new entity, and he miscoded that into the General Government slide. The number should read 9.9 million, up 4.4% and Public Safety is 6.3 million.

Note Mr. Blair also inquired about the availability and public accessibility of future funding projections for the pension fund and Mr. Gervais detailed how the Finance Department is working to post all their financial materials online going forward.

Note Mr. Blair raised concerns about the decreasing undesignated fund balance, with a suggestion to make its historical and projected changes more transparent.

Note Mr. Gervais said the pension projections will be posted online, facilitated by actuarial assessments, and a graph showing the changes in the undesignated fund balance over the last five to ten years will be made available online as well.

5-5. John Drabik of 18 Drabik Road

Note Mr. Drabik criticized the current budget projections as unsustainable, reflecting on past experiences and changes in the town's bond rating. He discussed the town's decision years ago to buy equipment for public works, its current inefficiency, and suggestions to privatize services like trash and water to improve efficiency. He also critiqued how budget increases are presented to the public, yet often translate into trivial expenses, such as new trucks with chrome rims.

Note Mr. Drabik expressed frustration about the economic challenges faced by long-term residents, including the affordability of staying in the town despite having invested in it through taxes and property, criticized the timing of budget decisions, suggesting that decisions are made too hastily without adequate public input, particularly in the final moments of the budget process, and emphasized that the Board of Finance should focus on listening to taxpayers and not on personnel issues.

5-6. Betty Getsch of 18 Hillwood Drive

Note Ms. Getsch highlighted the lack of public participation in finance meetings and noted that she attended every meeting and never saw any of the other people who spoke tonight.

6. Board Comments

Note There were none.

7. Adjournment

Decision MOTION (1)

Mr. Maxfield moved to adjourn the April 29th, 2024, Public Hearing of the Board of Finance at 8:06 p.m.

Mr. Steel seconded the motion.

Motion carried, 5-0-0.

Note Respectfully Submitted,
Brooke Stevens, Recording Secretary

Next Meeting

Meeting title: East Lyme board of finance special meeting
Date and time: 04/29/24 08:15 pm to: 04/29/24 10:12 pm
Location: East Lyme High School, 30 Chesterfield Road, East Lyme, CT 06333



East Lyme First Selectman
Public Hearing
April 29th, 2024

Dan Cunningham
First Selectman

Budgeting Process

- ▶ Department Heads submitted initial requests
- ▶ First Selectman and Finance Director meet with departments
- ▶ First Selectman adjusted budget based on conversations and managing needs and available resources
- ▶ First Selectman proposes budget to Board of Selectman
- ▶ Department presentations and questions
- ▶ Board of Selectman adjust budget, adopt and forward to Board of Finance

Town Operations Budget Initiatives

- ▶ East Lyme Fire Service
 - ▶ Establish Chief and Deputy Fire Chief positions
 - ▶ Hire 11th full-time firefighter
- ▶ Youth and Family Services
 - ▶ Hiring YFHS Director
 - ▶ Wellness and Prevention Monitoring Coordinator
 - ▶ Provides guidance, addresses mental health issues, counseling
- ▶ Other Budget Initiatives
 - ▶ IT Engineer (Public Safety/Cybersecurity)
 - ▶ Coastal Resiliency Fund
 - ▶ OPEB Trust
 - ▶ Emphasis on maintaining vs. adding assets
 - ▶ Increasing software usage and office modernization

Budget Overview

	FY2024	FY 2024-25 Proposed Budget					%
	Adopted	Dept Head	1st Selectman	BOS	BOF		
Town Operations	\$ 21,520,156	\$ 24,317,237	\$ 23,210,552	\$23,048,735	\$22,911,317	6.46%	
Debt Service	\$ 6,198,189	\$ 6,754,252	\$ 6,754,252	\$ 6,754,252	\$ 6,754,252	8.97%	
Capital (Cash)	\$ 499,522	\$ 750,000	\$ 750,000	\$ 1,000,000	\$ 902,750	80.72%	
Subtotal	\$ 28,217,867	\$ 31,821,489	\$ 30,714,804	\$30,802,987	\$ 30,568,319	8.33%	



East Lyme Board of Education
Public Hearing
April 29, 2024

Eric Bauman
Board of Education Chair



East Lyme Board of Finance
Public Hearing
April 29, 2024

Denise Hall
Board of Finance Chair

Board of Finance Members

- ▶ Denise Hall, Chair
- ▶ Paul Maxfield, Vice Chair
- ▶ John Birmingham
- ▶ Lauren McNamara
- ▶ Richard Steel
- ▶ Jay Ginsberg

Overview

- ▶ Budget Process
- ▶ Budgetary Goals
- ▶ Budget Challenges
- ▶ Proposed Revenues
- ▶ Proposed Expenses
- ▶ Capital Items
- ▶ Mill Rate Increase
- ▶ Property Tax Calculations (Examples)

Summary of Budget Process FY 2024-2025

- Submitted by Board of Selectmen – March 13, 2024
 - Overall Increase of 6.88% from FY 2023-2024. This would have resulted in a Mill Rate of 26.83
- Seven (7) meetings held to review & deliberate on proposed budget, meeting with Department Heads and the Board of Education.
- The Board of Finance proposed overall reductions to the increase in expenditures of \$1,334,668 which would reduce the increase to the mill rate to 26.35.
- Board of Finance will meet after tonight's Public Hearing to further finalize budget which will subsequently be voted upon at a Town Meeting 5/13/24, and referendum 5/23/2024.

Budgetary Goals

- ▶ Increase undesignated fund balance to target (17% of General Fund)
- ▶ Reduce Bonded Debt
- ▶ Achieve Rating Agency Upgrade from AA (Moody's), AA/Stable (S&P)
- ▶ Limit burden on taxpayers

Budgetary Challenges

- ▶ Debt/Debt Service - Town has a substantial amount of debt it needs to pay back (with interest)
- ▶ Pension Funding – Actuarial projections indicate annual contributions to the plan will increase significantly over the next few years
- ▶ Usage of undesignated fund balance this year the result of one time sources that won't be available in future years (\$1,000,000 projected to be used in FY2025).
 - ▶ Projected Fund Balance as of June 30, 2024: \$10.5 million or 12.5%

Proposed Revenues

Town of East Lyme

General Fund Budget Summary - REVENUES

Fiscal Year 2024-25

Object	Description	FY2024 Budget	FY2025 PROPOSED BUDGET	\$ Change from YE 24	% Change from YE 24
41	Taxes	\$ 69,678,331	\$ 74,126,510	\$ 4,448,179	6.38%
42	Licenses and Permits	\$ 544,590	\$ 795,400	\$ 250,810	46.05%
43	Intergovernmental Revenues	\$ 11,124,504	\$ 11,123,655	\$ (849)	-0.01%
44	Charges for Services	\$ 1,138,275	\$ 1,233,900	\$ 95,625	8.40%
45	Fines and Assessments	\$ 14,462	\$ 13,010	\$ (1,452)	-10.04%
46	Investment Earnings	\$ 625,000	\$ 1,200,000	\$ 575,000	92.00%
48	Other Revenues	\$ 170,636	\$ 125,520	\$ (45,116)	-26.44%
49	Other Financing Sources	\$ 2,711,921	\$ 1,975,000	\$ (736,921)	-27.17%
TOTAL REVENUE		\$ 86,007,719	\$ 90,592,994	\$ 4,585,275	5.33%

Proposed Expenses

FY2024 and Proposed FY2025 Operating Expenditures Budget

	FY24 Amended	FY25 Proposed	% Change
General Government	\$ 9,544,091	\$ 11,953,477	25.24%
Public Safety	\$ 5,730,001	\$ 4,428,014	-22.72%
Public Works	\$ 3,906,472	\$ 4,087,734	4.64%
Culture and Recreation	\$ 2,339,591	\$ 2,442,092	4.38%
Education	\$ 57,789,852	\$ 60,024,675	3.87%
Debt Service	\$ 6,198,189	\$ 6,754,252	8.97%
Capital (Cash)	\$ 499,522	\$ 902,750	80.72%
Total Operating Budget	\$ 86,007,718	\$ 90,592,994	5.33%

Capital Projects

Current Year Capital Projects Summary

	Dept Requested	1st Selectman	BoS	BoF
General Government	\$ 437,500	\$ 335,000	\$ 260,000	\$ 260,000
Public Safety	\$ 1,394,100	\$ 968,500	\$ 943,500	\$ 918,500
Public Works	\$ 4,761,250	\$ 4,186,250	\$ 3,181,250	\$ 3,181,250
Parks and Recreation	\$ 3,041,000	\$ 806,000	\$ 681,000	\$ 246,000
Education	\$ 9,492,500	\$ 9,492,500	\$ 8,242,500	\$ 7,227,500
	\$ 19,126,350	\$ 15,788,250	\$ 13,308,250	\$ 11,833,250

Capital Projects

	Board of Selectman	
General Gov	\$	260,000
Public Safety	\$	918,500
Public Works	\$	3,181,250
Parks and Recreation	\$	246,000
Education	\$	7,227,500
Total Capital Projects	\$	11,833,250

Operating Budget Summary

Town of East Lyme
 General Fund Budget Summary
 Fiscal Year 2024-25

Object Description	2023-2024	FY2025 PROPOSED		
	Original Budget	Proposed Budget	Change from YE 24	Change from YE 24
EXPENDITURES				
Town Operations	\$ 21,520,155	\$ 22,911,317	\$ 1,391,162	6.46%
Board of Education Operations	57,789,852	60,024,675	2,234,823	3.87%
Debt Service	6,198,189	6,754,252	556,063	8.97%
Capital/Other	499,522	902,750	403,228	80.72%
TOTAL EXPENDITURES	\$ 86,007,718	\$ 90,592,994	\$ 4,585,276	5.33%
REVENUES				
Taxes - Current Year	\$ 68,275,661	\$ 72,788,909	4,513,248	6.61%
Taxes - Motor Vehicle Supplement	\$ 500,000	\$ 550,000	50,000	10.00%
Taxes - Prior Year, Interest, Fees	902,670	792,000	(110,670)	-12.26%
Licenses and Permits	544,590	795,400	250,810	46.05%
Intergovernmental Revenues	11,124,504	11,123,655	(849)	-0.01%
Charges for Services	1,138,275	1,233,900	95,625	8.40%
Fines and Assessments	14,462	13,010	(1,452)	-10.04%
Investment Earnings	625,000	1,200,000	575,000	92.00%
Other Revenues	170,636	121,120	(49,516)	-29.02%
Other Financing Sources	2,711,921	1,975,000	(736,921)	-27.17%
TOTAL REVENUES	\$ 86,007,719	\$ 90,592,994	\$ 4,585,275	5.33%

Mill Rate Increase

	FY2024 Budget	FY2025 PROPOSED		
		Proposed Budget	Change from YE 24	Change from YE 24
Calculation of Mill Rate				
Grand List Total				
Value of One Mill	\$ 2,796,943	\$ 2,815,152	\$ 18,209	0.65%
Collection Rate	98.20%	98.20%	0.00%	0.00%
Estimated Delinquency	\$ (50,345)	\$ (50,673)	\$ (328)	0.65%
Collection Rate for One Mill	\$ 2,746,599	\$ 2,764,480	\$ 17,881	0.65%
Estimated Tax Receipts	\$ 68,275,661	\$ 72,788,909	\$ 4,513,248	6.61%
Add Elderly Tax Relief	\$ 57,030	\$ 57,030	\$ -	0.00%
Required Levy	\$ 68,332,691	\$ 72,845,939	\$ 4,513,248	6.60%
MILL RATE	24.87	26.35	1.48	5.95%

Property Tax Calculations- Examples

Mill Rate	Property Taxes		YoY Increase	Monthly Increase
	Home Values	FY 2023-24		
		24.88	26.35	
\$ 300,000	\$ 5,225	\$ 5,534	\$ 309	\$ 26
\$ 350,000	\$ 6,096	\$ 6,456	\$ 360	\$ 30
\$ 400,000	\$ 6,966	\$ 7,378	\$ 412	\$ 34
\$ 500,000	\$ 8,708	\$ 9,223	\$ 515	\$ 43
\$ 600,000	\$ 10,450	\$ 11,067	\$ 617	\$ 51
\$ 750,000	\$ 13,062	\$ 13,834	\$ 772	\$ 64
\$ 1,000,000	\$ 17,416	\$ 18,445	\$ 1,029	\$ 86
\$ 1,250,000	\$ 21,770	\$ 23,056	\$ 1,286	\$ 107
\$ 1,500,000	\$ 26,124	\$ 27,668	\$ 1,544	\$ 129