



MELODY A. CURREY
MAYOR

Office of the Mayor

(860) 291-7200

FAX (860) 282-2978

www.ci.east-hartford.ct.us

February, 2010

To the Members of the Town Council and to the Residents of the Town of East Hartford:

Attached please find my Recommended Budget for the fiscal year ending June 30, 2011. Spending in the attached budget totals \$153.1 million which is an increase of \$4.3 million, or 2.87% compared to the current year budget. Total spending in this budget, when adjusted for the receipt of Federal stimulus funding paid to the Board of Education, is \$200 thousand less than the Town's budget in the 2008-2009 fiscal year.

While spending over the last two fiscal years has been reduced or remained flat compared to the 2008-2009 fiscal year, non-tax revenues have declined by nearly \$1 million including \$450 thousand in Interest Income earned by the Town, \$200 thousand in Conveyance Taxes paid to the Town, and \$250 thousand in State related Casino Revenue and PILOT Grants.

The Town's Grand List has also declined, reducing revenue sources available to the Town to balance its budget by \$575 thousand. Additionally, State aid has been flat funded, meaning that while the local cost of education is mandated to increase by \$3.5 million, no additional State aid to offset that increase will be received by the Town.

In order to balance this budget, the mil rate must be increased by 2.9 mils to maintain existing services. A breakdown of the drivers of this tax increase is presented below:

Education	\$ 3.5 million	The State requires the Town to meet a minimum budget requirement of \$82.5 million
Medical	1.6 million	Town medical expenses have risen due to higher than expected medical utilization
Salaries	1.3 million	The Town must fund salaries based on binding contracts with Town labor unions
Pension	1.0 million	Town pension assets held for investment have significantly declined due to the economy
Insurances	.4 million	Higher defense costs and liability claims require higher reserve contributions
Revaluation	<u>.3 million</u>	The Town is required by law to begin the property revaluation process
	<u>\$ 8.1 million</u>	The amount required in new taxation to maintain existing services

From the above, it is clear that this community is at a crossroads with respect to its ability to pay compared to the services it receives and enjoys. As your Mayor, I administer the budget in a way that complies with all Federal, State, and Local laws. When you look at the Education Budget, State law mandates that an additional \$3.5 million be spent on Education in the coming fiscal year without any corresponding increase in Educational Cost Sharing Grant Aid being provided by the State.

Five full time positions have been eliminated in this budget including one Deputy Chief and the Assistant to the Chief positions in the Police Department, one Tax Clerk, one Information Technology Specialist, and one Administrative Clerk.

With respect to the increases in Medical, Salaries, and Pension, please be aware that collectively bargained agreements with employees negotiated in good faith under State Labor Laws, require that sufficient funding be set aside to pay for these obligations.

With respect to Insurances, the Town must set aside adequate funds to pay premiums and expected claims that will be incurred in the coming fiscal year. Finally, to comply with State Law, the Town must begin the process of revaluing each real estate parcel so that our community is prepared to implement revaluation for the October 1, 2011 grand list. Approximately \$500,000 is needed to complete this task, with \$250,000 funded this year. In order to complete the process, the Town will examine approximately 16,500 parcels at an estimated cost of \$30 per parcel.

With respect to this budget, it is important to remember that the entire increase in taxation is linked to contractually required payments or to the continued practice of fiscally prudent budget setting. As a result, without the elimination of certain Town services, a tax increase of this magnitude, while regrettable, is inevitable.

For instance, if the Town Council desires to reduce the budget and its corresponding tax increase, the Town would need to cut \$1 million of expenses, or the equivalent of 20 full time positions, to reduce the tax increase by 1%. A 1% tax reduction would save the average taxpayer about \$39 per year, or about 75 cents per week.

To materially reduce the tax increase, something on the order of \$5 million of expenses would need to be eliminated, or the equivalent of about 100 positions. Please remember that no additional budget reductions can be made to the Board of Education's budget since their budget is set at the Minimum Budget Requirement (MBR) as outlined in Connecticut General Statutes.

Because the Town reduced its staffing levels by 4% when it set the current year budget, and recognizing Police and Fire personnel are staffed at sufficient levels to maintain the peace and the public safety, cutting 100 positions from the remaining 250 workforce would be reckless and irresponsible.

As you may know, the Town Charter provides for a budget referendum when the residents are displeased with the budget adopted by the Town Council. Due to this size of this tax increase, the likelihood of the Town's first successful budget referendum is high.

If the residents petition for a budget referendum and the referendum is successful in calling for a budget reduction, please be keenly aware that because the Town must honor its contractual commitments as noted above, the likely place, and in most cases, the only place that the Town can go to reduce the budget by material amounts would be in the elimination of existing Town services like leaf collection, curbside refuse collection, and the advanced life support (ALS) component of our Fire Service.

Town Services:

This budget substantially maintains existing Town services. However, please recall that many difficult and painful decisions were made as part of the 2009-2010 budget in order to achieve no tax increase. If you recall, 20 positions, or 4% of all Town staff were eliminated including: four police officers, one Assistant Fire Chief, one firefighter, one dispatcher, seven administrative positions in Town Hall, two nurses, two laborers in Public Works and Parks, the Assistant Director of Public Works, one librarian, and the Recycling Coordinator. Other decisions implemented to reduce costs are listed below:

- | | |
|--|--|
| One round of leaf collection in the fall | The closure of one outdoor swimming pool |
| One less "Families in Crisis" counselor | Town buildings energy utilization decreased |
| Credit card convenience fees added | Wages freeze and medical insurance contribution increase |
| Scheduled wage increases reduced | Furlough days and other contractual concessions |

It's important to note that Town employees are facing the same economic upheaval as the rest of us. Their own household budgets are under strain and they too are not immune to the stresses of this economic upheaval. Besides accepting a zero percent general wage increase two years ago to offset the impact of revaluation, let's also not forget that Town employees perform valuable services for the residents of this community including keeping the roads clear during winter storms, keeping the peace, providing medical services in times of crisis, and educating our children. As important members of our community, our employees have my deepest gratitude.

Future Infrastructure Maintenance and Bonding, Equipment:

As you know, the condition of the Town's infrastructure is of concern since the cost of repairs to the Town's infrastructure has proven to be significantly more than the cost of preventative maintenance over time. Simply put, the Town has for too many years put off maintenance and upkeep of infrastructure in return for short term tax relief.

To that end, in spite of the economy, the Town will continue to complete the following projects: road reconstruction and resurfacing, drainage repairs, levee and flood control system repairs, and the construction of a new firehouse at 125 Brewer Street to replace the existing Station 5 on Main Street.

The Town will also invest in replacement equipment like police cars, fire apparatus, Public Works and Parks vehicles, and certain information technology equipment that will set the table as far as reducing future network costs.

Board of Education Spending:

The Recommended Budget sends \$76.5 million to the Board of Education. This amount, coupled with the \$6 million of aid sent by the Federal government via the ARRA (American Recovery and Reinvestment Act) will meet the State required minimum budget requirement. While the Board has requested an amount in excess of \$85 million, the Town is not in a position to consider funding in excess of the minimum required by the State.

Medical, Insurance, Pension, and OPEB Costs:

The Town faces a variety of short and long term obligations that are accounted for in either a reserve fund or a trust. In this budget, the Town continues to make regular, scheduled contributions to these reserve funds and trusts. However, in light of the dire economic circumstances we face as a community, such contributions this year only contemplate paying immediate costs leaving the amortization of long term costs for future budget years.

Key Budget Statistics:

- Total budget spending is \$153.1 million. This is an increase of \$4.3 million, or 2.87%, compared to the prior year.
- Spending for Town government is budgeted at \$49.1 million. This is \$1.9 million, or 4.0% higher than the prior year.

- Health Benefit/Insurances spending is budgeted at \$7.9 million. This is \$2.1 million, or 36.1% higher than the prior year.
- Pension and Retirement Benefit spending is budgeted at \$10.2 million. This is \$1 million, or 10.5% higher than the prior year.
- Educational spending is budgeted at \$76.5 million. This is level funded compared to the prior year, but actually represents a spending increase of \$3.5 million in order to meet the State’s mandated Minimum Budget Requirement (MBR).
- Town and BOE Debt Service spending is budgeted at \$8.1 million. This is \$500 thousand, or 5.6% lower than the prior year.
- Capitol Improvement spending is budgeted at \$1.2 million. This is \$218 thousand, or 15.1% lower than the prior year.
- The proposed mil rate of 34.57, 2.9 mils higher than the current year, results in a 9.2% increase in taxes.

The Recommended Budget for the 2010-2011 fiscal year, including comparisons to fiscal years 2008-2009 and 2009-2010 is presented below.

	REVISED	REVISED	% Change	RECOMMENDED	% Change	\$\$\$
	<u>FY 2008-09</u>	<u>FY 2009-10</u>	<u>(prior year)</u>	<u>FY 2010-11</u>	<u>(prior year)</u>	<u>Inc. (Dec.)</u>
TOWN (excl. benefit/insurance costs)	\$ 53,275,783	\$ 47,209,632	-11.39%	\$ 49,123,552	4.05%	\$ 1,913,920
HEALTH BENEFITS/INSURANCES	5,308,234	5,792,220	9.12%	7,882,648	36.09%	\$ 2,090,428
PENSION/SOC. SEC. BENEFIT COSTS	8,484,387	9,248,510	9.01%	10,214,870	10.45%	\$ 966,360
BOARD OF EDUCATION (BOE)	82,498,910	76,548,237	-7.21%	76,548,237	0.00%	\$ - *
TOWN AND BOE DEBT SERVICE	8,055,844	8,607,603	6.85%	8,127,898	-5.57%	\$ (479,705)
CAPITAL IMPROVEMENTS	1,636,425	1,450,464	-11.36%	1,232,083	-15.06%	\$ (218,381)
TOTAL	\$ 159,259,583	\$ 148,856,666	-6.53%	\$ 153,129,288	2.87%	\$ 4,272,622

* \$5,950,673 was passed directly to the Board of Education in the form of a Federal Stimulus Grant via the State. The State Minimum Budget Requirement has been met. Board of Education spending was increased by \$3,498,910 compared to the 2009-2010 Adopted Budget.

In closing, I want to take this opportunity to thank the members of East Hartford's Legislative Delegation, the East Hartford Town Council, and those from our community who shared their thoughts with me on this budget.

Sincerely,
The Town of East Hartford

Melody A. Currey
Mayor