

MARCIA A. LECLERC  
MAYOR

Office of the Mayor

May, 2011

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

On January 10, 2011, Mayor Melody A. Currey resigned from the Office of Mayor in order to accept an important State position offered by incoming Governor Dannel Malloy overseeing the Department of Motor Vehicles. On that same day, I was sworn in as your new Mayor. While I am not a stranger to local government having served as a Town Councilor for 8 years, I do consider holding the Office of Mayor to be a particularly distinct honor and privilege, so I thank you for your support over the years.

I was born and raised in town and hold a Master's of Science Degree in Education. I believe my background, education, business acumen, and lifelong commitment to this community makes me uniquely qualified to be your Mayor. I hope to work to earn your trust in the coming months as we face yet another difficult budget cycle.

As a community, we have been dealing with record breaking snow, which has exhausted both our employees and our snow removal budget. During my introduction to handling this weather emergency, I have had the opportunity to think about a much used phrase, often heard from residents during my January Mayor's Brown Bag Luncheon. That phrase is "live within your budget". It's a phrase I embrace, but one that creates a new dichotomy for me as your new Mayor in that if the town were to live within its budget this year, roads would go unplowed and the safety of an entire community would be put at risk. In light of this stark reality, I'm starting to rethink that phrase and will begin replacing it with "let's prepare a responsible budget that serves the needs of the community". It is from this juncture that I start the town's budget preparation.

As I began to express my priorities to the directors with respect to the preparation of this budget, I first looked at three guiding principals that Governor Malloy has pledged in the upcoming State budget. They are as follows: he will use generally accepted accounting principles to balance his budget, he will not borrow to balance his budget, and he will fully fund his pension obligations.

Having been on the Town Council for eight years, most of those tending to the budget as Majority Leader, I can proudly say that East Hartford has always balanced its budget using generally accepted accounting principles, we never have borrowed to fund operations, and we have always fully funded our pension obligations.

The next step I completed when analyzing the budget was "how does East Hartford stack up against surrounding towns in some important statistical categories?" To that end, the State Office of Policy and Management produced these statistics in November of 2010 based on town reporting to the State for the period ended June 30, 2009.

Town/Category	East Hartford	Glastonbury	Manchester	Wethersfield	Hartford	South Windsor
Bond Rating	Aa2	Aaa	Aa1	Aa2	Aa3	Aa2
Pension Funding %	76.9	73.1	87.4	93.1	102.2	63.4
Population	48,634	33,353	56,388	25,767	124,060	26,258
Per Capita Income (\$)	21,763	40,820	25,989	28,930	13,428	30,966
Debt per Capita (\$)	1,115	2,701	1,427	1,426	2,484	1,285
Net Per Pupil Education Exp. (\$)	11,700	11,633	13,162	12,637	16,202	12,056
Tax Collection Rates (%)	97.6	99.1	98.1	99.0	96.2	98.7
Unemployment (%)	11.1	6.4	8.6	8.3	15.8	7.0
Town Aid to Needy Families (%)	2.27	0.18	1.43	0.26	5.50	0.11
Prop. Tax as a % of Total Rev. (%)	60.8	83.7	69.2	80.9	45.7	77.4
Net Grand List Value (\$ Billions)	3.1	4.1	4.3	2.3	3.5	2.7
Tax Levy per Capita (\$)	2,038	3,466	2,170	2,700	1,957	2,789

From the data above, East Hartford has a solid bond rating, is in the middle of the pack as far as pension funding, and it is on the low end of the scale when we talk about per capita income and educational spending. We seem to bond less than every other community, yet have higher unemployment, and have far more needy families. We have a proportionally smaller grand list, and yet, on a per capita basis, tax lower than surrounding communities. It was on this data backdrop that I submit to you the Town's Adopted Budget for the fiscal year ending June 30, 2012.

Spending in the attached budget totals \$160.1 million which is an increase of \$9.1 million, or 6.0% compared to the 2010-2011 fiscal year. It is extremely important to note that the Governor's Budget provides our community with \$5.95 million of additional Educational Cost Sharing (ECS) monies in the coming year. That money is not new money to the Board of Education, but simply replaces the same amount that was passed from the Federal Government to the Board as part of a one-time stimulus grant for the 2010-2011 fiscal year. The accounting of these two grants over two fiscal years, one from the Federal Government in the current year and one from the State in the coming year creates the perception that spending is dramatically increasing. I can assure you that spending, with this item removed, is increasing by \$2.4 million, or 1.6% compared to the current year.

The town's Grand List has remained stable. With respect to State aid, as noted above, the Governor has made an extraordinary commitment to local education. Additionally, we believe that \$2.9 million of PILOT Manufacturing Machinery and Equipment grants, monies East Hartford includes as reimbursement revenue to compensate for lost tax revenue on manufacturing equipment exemptions offered by the State to local manufacturers like Pratt and Whitney, which was eliminated in the Governor's Budget, will be restored by the Legislature. As a result, we have predicated this budget on the receipt of that funding.

It is my belief that our community continues to emerge, albeit very slowly, from the nation-wide recession. Non-tax revenues including interest income, the conveyance tax, building permit fees, and some grants provided by the State have not returned to the pre-recession levels, leaving East Hartford with fewer resources to pay for the services needed.

New revenue sources provided by the State including Retail Sales Tax Sharing and Room Occupancy Tax Sharing provide our community with an estimated \$550 thousand of new revenue to balance this budget. Additionally, \$600 thousand of permit fees related to the construction of up to three magnet schools on Goodwin College property have been included to balance this budget.

Based on these realities and assumptions, in order to balance this budget, the mill rate must be increased by 0.6 mills or 1.77% simply to maintain existing services.

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. For the last few years, the town has been able to draw off of existing reserves in order to relieve pressure on each budget. However, drawing off of various reserves is no longer an option.

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, while regrettable, is inevitable.

#### **Town Services:**

This budget maintains existing town services. As you may recall, in the current year 2010-2011 budget, twelve full-time positions were eliminated including one Deputy Police Chief, one Assistant to the Police Chief, five Police Officers, one Emergency Services Dispatcher, one Waste Services Supervisor, one Tax Clerk, one Information Technology Specialist, and one Administrative Clerk.

Please also recall that many difficult and painful decisions were made as part of the 2009-2010 budget in order to achieve no tax increase. 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	Wage freezes 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.

When compiling this budget, I also reviewed the town staffing from 20 years ago and found some interesting statistics. Compared to 1991, we have 38.5 less total staff. We have 31 more Public Safety staff, so when you exclude Public Safety staffing, we have 69.5 less general town government staff than 20 years ago. With respect to individual departments, we have five less staff within the Library System, six and one half less staff in Finance, two less staff in Development, four and one half less staff in Inspections, 29 less in Public Works, 11 less in Parks, and seven and one half less staff in the Health Department, including four less nurses.

#### **Other Budget Decisions:**

I will begin the process of consolidating the Town Information Technology (IT) Department with the Board's IT Department. For this budget, I have included the addition of the Board's IT employees and an offsetting revenue contribution from the Board as simply placeholders until this consolidation can be managed. It should be noted that \$753,511 of new expenses related to Board IT staffing was included as part of the overall town budget. I will continue to closely work with the Board to extend consolidations when the opportunity makes sense.

Prior to leaving, Mayor Currey added Benefit Delivery responsibilities to the existing duties of the Director of Finance. I support these added responsibilities because health benefit and pension costs are the fastest rising component of the budget. In the past, the town has tackled these types of rising costs typically in the form of better delivery of existing benefits through competitive bidding. Moving forward, the town will be taking a data driven, systematic approach to reducing these costs by amending the plan designs for health benefits and pensions through the negotiation process.

As an example, beginning in July of 2011, 74 non-union employees will be switched to a High Deductible Health Plan with a Wellness component saving the town 27% of its claim costs while making a substantial investment in Wellness. That investment will pay off years down the road in healthier employees and lower medical costs.

I have decided to forego the use of the Mayor's vehicle in an effort to lead the way in cost reduction. While the car is a fringe benefit provided by town ordinance, I am choosing to use my private vehicle. I will also be suspending the use of take home vehicles for Town Directors effective July 1, 2011. While these are small cost items in the larger budget picture, they will none-the-less establish a tone for my administration.

I have also added two new line items in the budget. One line item is for the debt service payment made to the State of Connecticut on behalf of Goodwin College using PILOT funds, and another line to show that the Podunk Music Festival may advance up to \$50,000 to prepay for bands and other necessary expenditures to promote the show. The Podunk non-profit entity will repay amounts advanced, but showing them as an appropriation will provide more transparency to the community.

### **Future Infrastructure Maintenance and Bonding, Equipment:**

The cost of repairs to the town's infrastructure has proven to be significantly more than the cost of preventative maintenance over time. The town has for too many years put off maintenance and upkeep of infrastructure in return for short-term tax relief. As a result, the town will continue road reconstruction and resurfacing, drainage repairs, and levee and flood control system repairs.

As part of the 5-Year Capital Improvement Plan, the town will also invest in replacement equipment like Police cars, one major piece of Fire apparatus, Public Works vehicles, Parks improvements, a new senior citizen transport bus, and certain information technology equipment that will set the table as far as reducing future network costs.

### **Board of Education Spending:**

This Recommended Budget sends \$82.5 million to the Board of Education, an increase of \$5.95 million, or 7.8%. The increase is entirely funded by the State in increased Educational Cost Sharing Grants received by the town. This increase replaces a similar amount passed directly to the Board via Federal Stimulus money in the current fiscal year. If this amount was removed to more accurately present spending levels of the town, total spending would increase by \$2.4 million or 1.6% compared to the current year.

No additional taxpayer amounts were included to fund the Board of Education's budget proposal. The State Mandated Minimum Budget Requirement has been included as part of the Governor's budget proposal, so the amount requested by the Board cannot be reduced by the town or the town will incur a penalty of twice the amount of any reduction.

### **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 \$160.1 million. This is an increase of \$9.1 million, or 6.0% compared to the prior year.
- Total budget spending with the \$5.95 million of ECS received by the town removed, a more accurate representation of spending, increased by \$2.4 million, or 1.6%.
- Spending for town government is budgeted at \$49.8 million. This is \$1.5 million, or 3.0% higher than the prior year.
- Health Benefit/Insurances spending is budgeted at \$8.4 million. This is \$1.1 million, or 14.7% higher than the prior year.
- Pension & Retirement spending is budgeted at \$10.2 million. This is \$771 thousand, or 8.2% higher than the prior year.
- Educational spending is budgeted at \$82.5 million. This is \$5.95 million, or 7.8% higher than the prior year but does not represent an increase to the Board of Education, just recognition of a different funding source to the town.
- Town and BOE Debt Service spending is budgeted at \$7.9 million. This is \$233 thousand, or 2.9% lower than the prior year.
- Capitol Improvement spending is budgeted at \$1.4 million. This is \$122 thousand, or 9.9% higher than the prior year.
- The proposed mill rate of 34.42 is 0.6 mills higher than the current year and results in a 1.77% increase in taxes.

This Adopted Budget for the 2011-2012 fiscal year, including comparisons to 2009-2010 and 2010-2011 is presented below.

	REVISED	REVISED	% Change	ADOPTED	% Change	\$\$\$
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>(prior year)</u>	<u>FY 2011-12</u>	<u>(prior year)</u>	<u>Inc. (Dec.)</u>
TOWN (excludes Benefit & Ins. costs)	\$ 47,209,632	\$ 48,368,496	2.5%	\$ 49,821,431	3.0%	\$ 1,452,935
HEALTH BENEFITS/INSURANCES	5,792,220	7,282,648	25.7%	8,354,000	14.7%	1,071,352
PENSION/SS BENEFIT COSTS	9,248,510	9,434,011	2.0%	10,205,115	8.2%	771,104
BOARD OF EDUCATION	76,548,237	76,548,237	0.0%	82,498,910	7.8%	5,950,673
TOWN AND BOE DEBT SERVICE	8,607,603	8,127,897	-5.6%	7,894,913	-2.9%	(232,984)
CAPITAL IMPROVEMENTS	1,450,464	1,232,083	-15.1%	1,354,073	9.9%	121,990
TOTAL	<u>\$ 148,856,666</u>	<u>\$ 150,993,372</u>	<u>1.4%</u>	<u>\$ 160,128,442</u>	<u>6.0%</u>	<u>\$ 9,135,070</u>

Based on the above, please note that the \$5.95 million increase to the Board of Education was completely funded by the State. Also included in the town increase was \$753,511 which represents costs to pay Board employees for the Information Technology Consolidation. Without these two increases, total town spending would have increased by \$2.4 million or 1.6%.

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

Marcia A. Leclerc, Mayor