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MAYOR

Office of the Mayor

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

Attached please find the Adopted Budget for the fiscal year ending June 30, 2011. Spending in the attached budget totals \$150.8 million which is an increase of \$2.0 million, or 1.33% 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 \$2.5 million 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, including interest income, the conveyance tax, building permit fees, and some grants provided by the State, have declined as a result of the economic slowdown. As a result, balancing this budget without those sources of revenue was extremely difficult.

The Town's Grand List has also declined, reducing tax revenue 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 2.15 mils to maintain existing services.

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.

Twelve full time positions have been eliminated in this budget 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.

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.

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 Adopted 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 \$150.8 million. This is an increase of \$2.0 million, or 1.33%, compared to the prior year.
- Spending for Town government is budgeted at \$48.1 million. This is \$895 thousand, or 1.9% higher than the prior year.
- Health Benefit/Insurances spending is budgeted at \$7.4 million. This is \$1.6 million, or 27.5% higher than the prior year.
- Pension & Retire. Benefit spending is budgeted at \$9.5 million. This is \$198 thousand, or 2.15% 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 \$480 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 33.82 is 2.15 mils higher than the current year and results in a 6.8% increase in taxes.

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

	REVISED	REVISED	% Change	ADOPTED	% 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%	\$ 48,105,351	1.90%	\$ 895,719
HEALTH BENEFITS/INSURANCES	5,308,234	5,792,220	9.12%	7,382,648	27.46%	\$ 1,590,428
PENSION/SOC. SEC. BENEFIT COSTS	8,484,387	9,248,510	9.01%	9,447,155	2.15%	\$ 198,645
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%	\$ 150,843,372	1.33%	\$ 1,986,706

* \$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