

Town of East Haven Mayor Joseph Maturo, Jr.

2015-2016 Fiscal Year Budget Presentation

March 30, 2015 – East Haven High School

Opening Slide:

First, I'd like to thank the Board of Finance along with all of the department heads that sat with that Board and reviewed my initial recommendations.

I'd also like to thank our Finance Director, Paul Rizza. Mr. Rizza worked incredibly hard on this budget and he deserves to be recognized for that hard work.

one



What was the Town's
financial position at the
close of the 2013-2014
Fiscal Year?

1. With that said, I'd like to present my budget by first recapping the Town's financial position at the close of the 2013-2014 fiscal year.



East Haven ended the 2013-2014 fiscal year with a surplus of \$951,526 dollars.

TOTAL EXPENDITURES.....	90,657,600	1,769,647	10,493,817	102,921,064
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	952,430	(1,299,080)	(154,194)	(500,824)
OTHER FINANCING SOURCES (USES):				
Issuance of bonds.....		1,855,000		1,855,000
Capital lease.....		264,870		264,870
Bond premium.....		165,445		165,445
Transfers in.....			50,937	50,937
Transfers out.....	(904)		(50,033)	(50,937)
NET OTHER FINANCING SOURCES (USES).....	(904)	2,285,315	904	2,285,315
NET CHANGE IN FUND BALANCES.....	951,526	986,255	(153,290)	1,784,491
FUND BALANCE, JULY 1, 2013.....	1,600,450	(758,028)	3,164,257	4,006,679
FUND BALANCE, JUNE 30, 2014.....	\$ 2,551,976	\$ 228,227	\$ 3,010,967	\$ 5,791,170

- Page 18, FY 2013-2014 Annual Financial Report

2. As Page 18 of the Annual Financial Report clearly shows, the Town ended the 2013-2014 Fiscal Year with a surplus of \$951,000 dollars.

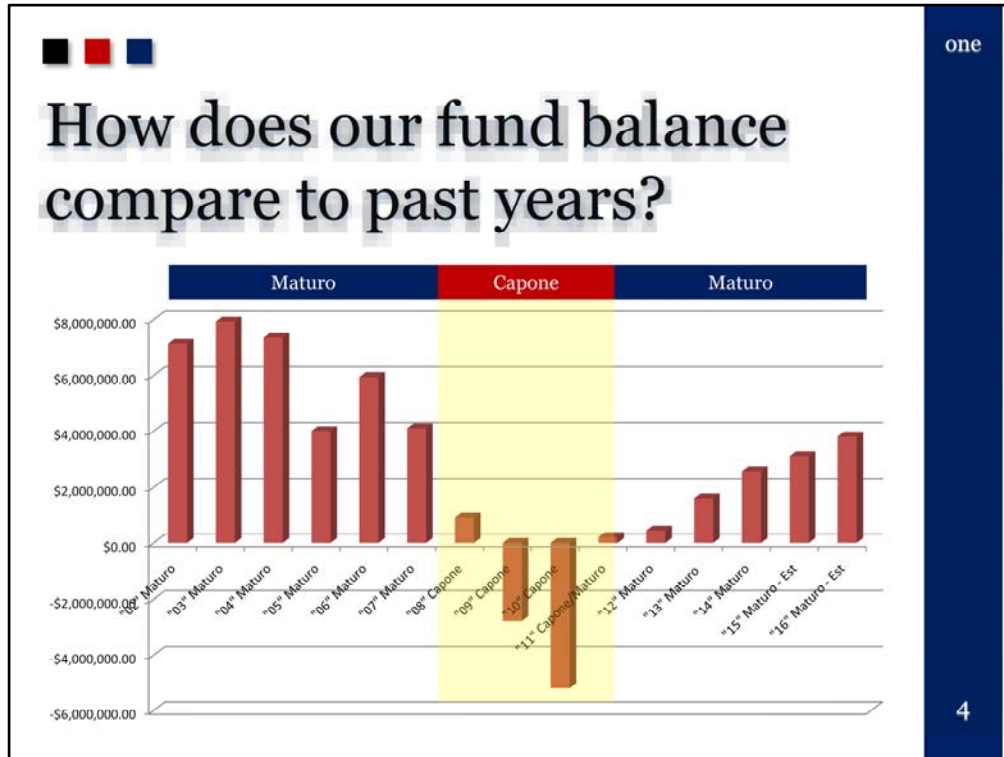


As a result, East Haven's fund balance increased to \$1.6 million dollars.

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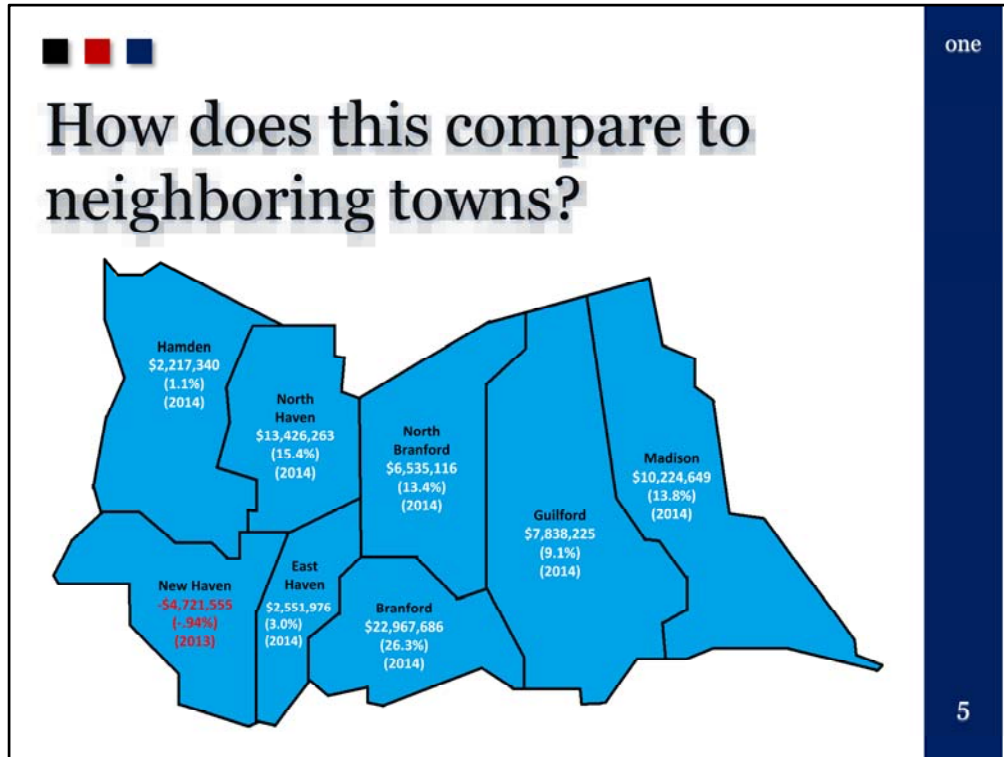
3. That money was added to the Town's rainy day fund, increasing the balance of this from \$1.6 million dollars to to \$2.55 million dollars. This marks an increase of 60% in just one year.



4. You may be asking, “How does this compare with previous years?”

Between 1997 and 2007 during my first 10 years in office, the Town balanced 10 straight budgets and maintained a running surplus of generally no less than \$4 million dollars. Between 2007 and 2011, during my team’s absence from office, the Town ran three straight deficits which completely exhausted this fund, causing it to spiral into a deficit.

As you can see, when I resumed office in 2011, the rainy day fund contained just \$200,000 dollars. Since then, we have steadily worked to restore it. Based on an projected surplus this year, and based on the monies I will be allocating to the rainy fund in my budget proposal tonight, the rainy day fund is forecasted to reach \$3.8 million dollars – just \$300,000 less than its level in 2007 when I left office.



5. You may be asking, “How does this compare with neighboring Towns?”

By comparison, New Haven is presently operating with a \$4.7 million dollar fund balance deficit which equals almost 1% of its operating budget. Hamden’s fund balance is \$2.2 million, which is 1.1% of its operating budget. At present, our fund balance exceeds both New Haven and Hamden, at \$2.5 million dollars, or about 3% of the 2013-2014 operating budget,

On the other hand, North Branford has a fund balance equal to 13.4% of its operating budget and Guilford’s fund balance is 9.1% of its budget.

As we continue to budget conservatively and responsibly, our fund balance will continue to catch up to other towns in the region.



What should East Haven's fund balance be?

- i. Rating agencies strongly recommend that a Town maintain a fund balance of 5% of its total budget.
- ii. Five percent of the proposed budget is approximately \$4.45 million dollars.

6. As I've indicated in the past, credit rating agencies, like Moody's and Standards & Poor, strongly recommend that the Town have a minimum savings account equal to 5% of its operating budget. Five percent of our proposed budget is about \$4.5 million dollars.

Since 2011, we have committed to a plan of incremental contributions to the fund balance to bring the Town in line with this recommended figure.



What is the Town's long-term debt position?

OUTSTANDING LONG-TERM DEBT

	2014	2013
General purpose bonds	\$24,578,234	\$22,379,150
School bonds	12,186,766	15,405,850
Bond anticipation notes		2,580,000
Sewer	720,000	1,080,000
Total	<u>\$37,485,000</u>	<u>\$41,445,000</u>

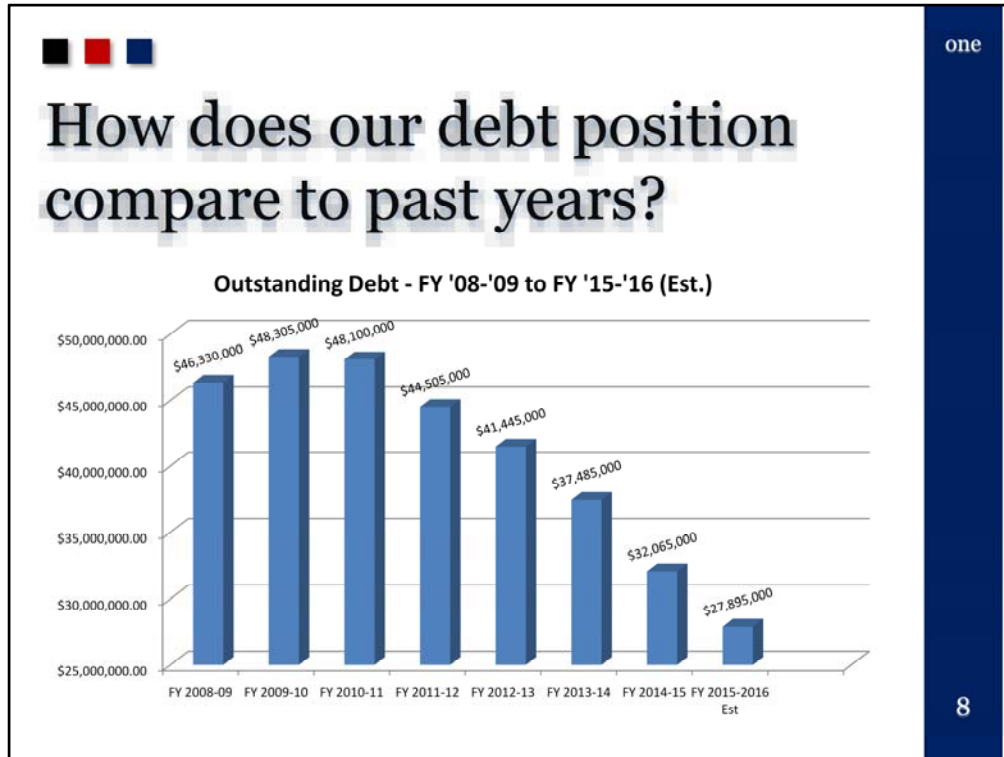
Annual Financial Report, 2013-2014, P. 11

In FY '13-'14, the Town paid down \$3.96 million,
or 9.5%, of its long term debt.

7. In addition to the Town's fund balance, debt is another key economic measure. Like you and I, the Town has long term debt.

I am pleased to report that the change in the Town's long term debt position indicates that we continue to move forward on the right track.

The Town began the 2013-2014 fiscal year with \$41.4 million dollars in long term debt. In the last budget year, we paid off almost \$4 million dollars of that debt, or 9.5% percent, reducing our total long term debt to \$37.4 million dollars.



8. In the present fiscal year, the Town is slated to make interest and principal payments of \$6.9 million dollars toward its long term debt.

In the budget I will be proposing tonight, the Town is slated to make interest and principal payments of \$5.4 million dollars toward its long term debt.

Based on these payments, the Town's long term debt will be approximately \$27.9 million dollars. This marks an astounding \$20.2 million dollar (or 30%) reduction in the Town's debt since I resumed office in 2011.

In fact, upon passage of this budget, the town's long-term debt position will be at its lowest level in the Town's modern history.

Looking ahead to future years, based on our current debt schedule, we are actually slated to pay off 80% of our remaining debt in the next 9 years.

two



What factors have the
greatest influence on the
Town's budget?

9. Now that I've given you a summary of the progress we made since 2011 and in the last fiscal year, I want to speak briefly about what factors influence a municipal budget. Put simply, the budget is composed of two parts: expenses and revenues.

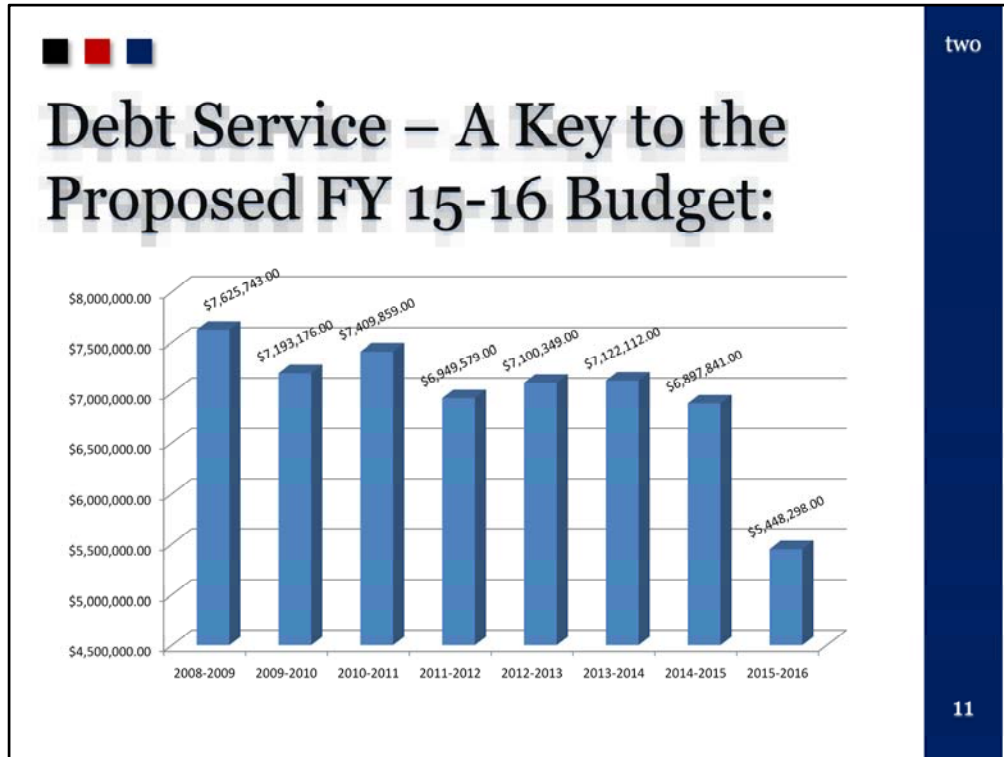


Key factors that affect the expense side of the budget:

- i. Non-discretionary expenses
(benefits, insurance, legal expenses, and debt service)
- ii. Utilities
(water, sewer, heat, and electricity)
- iii. Public Safety/Services
(education, police, fire, public works)

10. Now, while there are many different types of expenses, several are constant. They are expenses which regularly occur, may be required by contract, or are essential to running our community.

For example, employee benefits, insurance, and debt service are required expenses. Legal services are essential to the defense of the Town. Utilities like water, sewer, heat, and electricity are constant. And finally, education, police, fire, and public works services are essential to ensure the day to day safety of our Community.



11. As I indicated, debt payments are non-discretionary. Just like a mortgage, we must pay our debt.

Last year, thanks to our success restoring the rainy day fund and paying down debt, the Town received a credit rating upgrade from Standard and Poor's, one of the world's largest and most respected credit rating agencies.

Thanks to this upgraded rating, the Town was able to refinance a significant portion of its debt at a much lower rate. As a result, the Town's debt payments are slated to drop by over \$1.5 million dollars in my proposed budget.



Debt Service – A Key to the Proposed FY 15-16 Budget:

2008-2009: \$7,625,743.00

2015-2016: \$5,448,298.00

REDUCTION: \$2,177,445.00

12. In fact, thanks to our strategy of conservative and restrained bonding, the Town's total debt payment in the proposed budget will be \$2.1 million dollars less than it was in the 2008-2009 fiscal year.



Debt Payments – and our Bond Rating

Year	Bond Rating
2007, 2008	A
2009	A- N.H. Register – 8/5/2009
2010	BBB+ N.H. Register – 7/31/2010
2011	BBB+ N.H. Register – 8/2/2011
2012, 2013	BBB+
2014, 2015	A-

13. Our ability to restructure our debt is directly related to the credit rating increase we received last year.

Specifically, up until the 2007-2008 fiscal year, we had earned an “A” credit rating from Standard and Poor’s. However, in 2009 and 2010, the S&P lowered our bond rating – TWICE. At BBB+, the rating was just above what is considered “junk bond” status.

However, in 2014, thanks to our efforts to restore the rainy day fund, S&P raised our credit rating, allowing us to obtain significantly better bond rates.

Although it’s not always the first thing on peoples’ radars, our credit rating is critically important. As you can see from the last slide, this one credit upgrade saved the Town \$1.5 million dollars in one year alone.



Key factors that affect the revenue side of the budget:

- i. Growth or loss in the value of the town's Grand List
(the list of all taxable property in Town)
- i. State/Federal funding
- ii. Fees brought in by the Town

14. On the other side of the budget, the main sources of income for the Town are from taxes, state and federal funding, and miscellaneous fees (such as building permit fees or fees for recording documents on the land records).



Grand List Growth – A Key to the Proposed FY15-16 Budget:

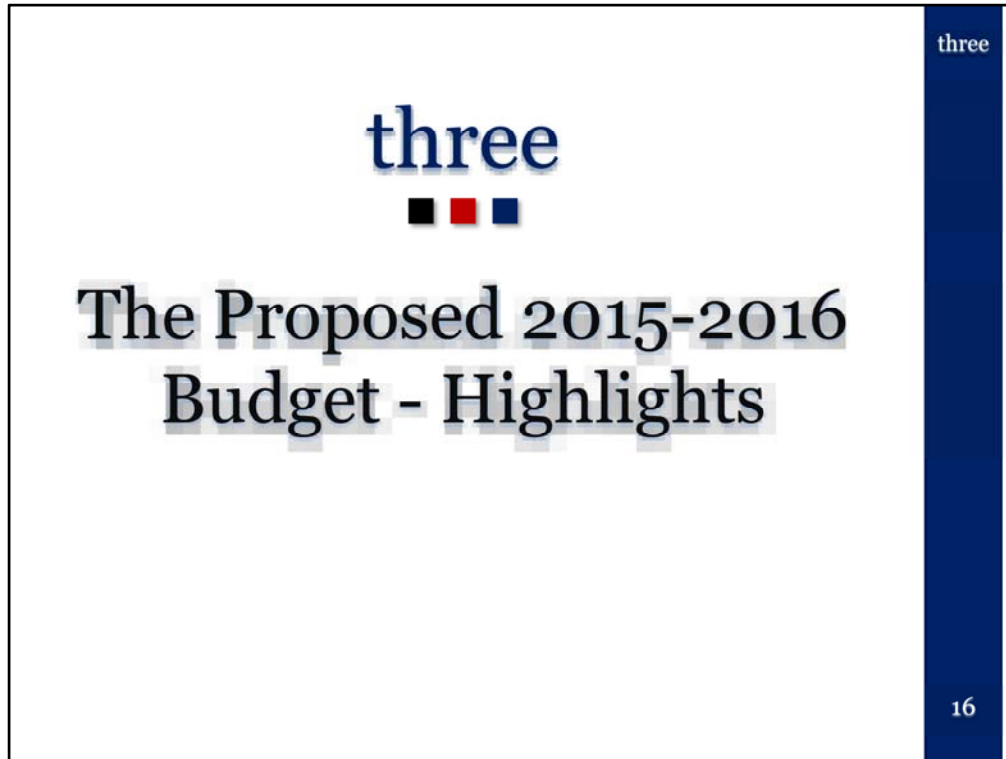
List Type	2013	2014	+/-
Real Property	\$1,761,323,070	\$1,775,095,050	+\$13,771,980
Motor Vehicles	\$161,724,299	\$164,469,374	+\$2,745,075
Personal Property	\$52,458,158	\$55,743,230	+\$3,285,072
TOTAL	\$1,975,505,527	\$1,995,307,654	+\$19,802,127

In the last year, the list of taxable property in East Haven grew by almost \$20 million dollars – or almost 1%. The growth was in large part to economic development efforts in recent years.

15. In my address to you last year, I indicated that growing the grand list was a priority for the upcoming year. As I've explained before, bringing new businesses into Town increases the list of taxable property in Town, reducing the tax burden on residents.

In the last year, we have grown our grand list by almost \$20 million dollars. To put this in perspective, \$20 million dollars represents approximately \$631,000 dollars in new tax revenue for the Town.

As you can see, stimulating grand list growth, in the form of new businesses, greatly improves the Town's tax position each year.



16. Moving on, I'd now like to take you through an overview of my proposed budget for the 2015-2016 fiscal year.



The Big Picture – Part 1:

Expenditures: \$88,446,057.00

Fund Balance

Contribution: \$600,000.00

TOTAL BUDGET: \$89,046,057.00

17. Overall, my budget calls for \$88.44 million dollars in expenditures. In addition, my budget calls for a \$600,000 appropriation to continue to restore the fund balance. As a result, the overall proposed budget is just over \$89 million dollars.



The Big Picture – Part 2:

- i. 1.36% DECREASE in Expenses over FY '14-'15
- ii. \$750,000 (1.61%) increase in funding for education
- iii. \$600,000 in funding to continue to restore the Town's Fund Balance

18. My proposed budget represents a 1.36% DECREASE in expenditures over the prior fiscal year. Importantly, it calls for a \$750,000 dollar increase in funding to education. Finally, it responsibly appropriates \$600,000 dollars to continue to restore our fund balance.



Line item increases affecting the budget :

Department	% Increase	\$ Increase
Pub. Safety Comm. Ctr.	36.90%	\$191,332.00
Bldg. Maintenance	10.79%	\$76,506.00
Police Dept.	2.58%	\$129,458.00
Education	1.62%	\$750,000.00
Fire Dept.	.84%	\$44,291.00
TOTAL		+\$1,191,587.00

19. As you can see, these five “line items” represent notable increases in my budget.

The Public Safety Command Center receives a \$191,000 dollar increase to account for funding the full operating costs of our new, state-of-the art 911 dispatch center. Building Maintenance receives an extra \$76,000 dollars to account for increased capital maintenance costs. Funding to the Police Department and Fire Department is increasing by a total of \$173,000 dollars for employee costs. And finally, my budget calls for a \$750,000 dollar increase in funding to the Board of Education, to help ensure that we can continue to properly educate our town’s children.



Line item reductions affecting the budget – Part 1:

Department	% Decrease	\$ Decrease
Fund Balance Contr.	-33.33%	-\$300,000.00
Debt Service	-21.01%	-\$1,229,543.00
Legal	-5.21%	-\$27,500.00
Insurance	-4.33%	-\$126,000.00
TOTAL		-\$1,903,043.00

20. On the other hand, my proposed budget also reflects some valuable line item reductions. Since we are rapidly approaching the full restoration of our fund balance, I am acting on the Finance Director's recommendation to begin to draw down our contributions to this fund by \$300,000 dollars.

Additionally, as I discussed earlier, the Town's debt reduction and restructuring measures have reduced our long term debt payment by an incredible \$1.22 million dollars – or 21%.




Line item reductions affecting the budget – Part 2:

Department	% Decrease	\$ Decrease
Fund Balance Contr.	-33.33%	-\$300,000.00
Debt Service	-21.01%	-\$1,229,543.00
Legal	-5.21%	-\$27,500.00
Insurance	-4.33%	-\$126,000.00
TOTAL		-\$1,903,043.00

21. Also, with the resolution of several legal cases, the Town's legal department operating expenses are projected to drop by 5.21% - or \$27,500 dollars.

Finally, the Town's insurance costs have been reduced by \$126,000 dollars.

In all, these four line items represent an impressive \$1.9 million dollar reduction in the Town's operating expenses. It is especially notable that these line item reductions in no way affect services to our residents. Rather, they represent reductions in internal operating costs that will actually allow us to increase services to residents.

				three
Board of Education Funding – by Year (Part 1):				
School Year	+/- by \$	+/- by %	Mayor	
2004-2005	\$1.85 million	5.17%	Maturo	
2005-2006	\$1.3 million	3.45%	Maturo	
2006-2007	\$1.64 million	4.23%	Maturo	
2007-2008	\$1.75 million	4.31%	Maturo	
2008-2009	\$1.40 million	3.30%	Capone	
2009-2010	-\$85,500.00	-.001%	Capone	
2010-2011	\$384,281	.88%	Capone	
2011-2012	\$247,388	.56%	Capone	
2012-2013	\$500,000	1.13%	Maturo	
2013-2014	\$416,357	.92%	Maturo	
2014-2015	\$1.2 million	2.65%	Maturo	
2015-2016 - Proposed	\$750,000	1.62%	Maturo	22

22. Additionally, as I've indicated, my budget proposal calls for a \$750,000 dollar increase in funding for education. As you can see, with the exception of last years total funding increase of \$1.2 million dollars, my proposed allocation represents the largest increase to education since 2008.

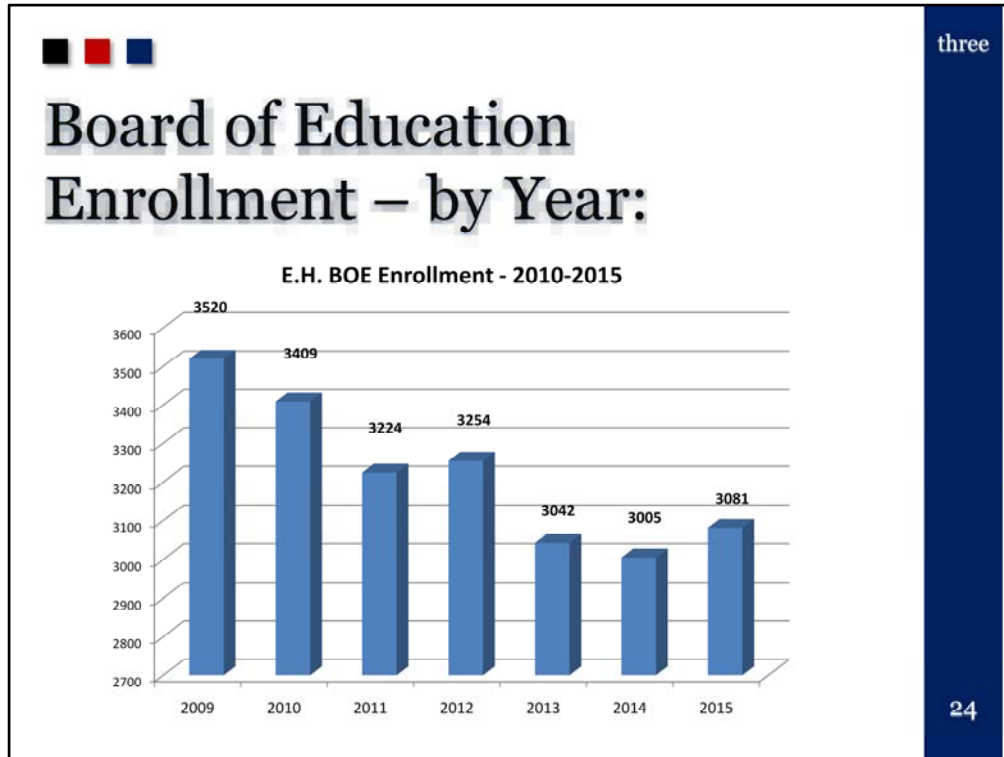
Our Board of Education, led by Superintendent Bonner and Board of Education Chairman John Finkle, is proposing to embark upon a massive transformation and modernizing of our education system here in Town. I've been told that we are waiting to receive logistical plans from our architect/engineer which will help guide the consolidation and modernization process in the coming years. However, this journey will not be accomplished overnight.



Board of Education Funding – by Year (Part 2):

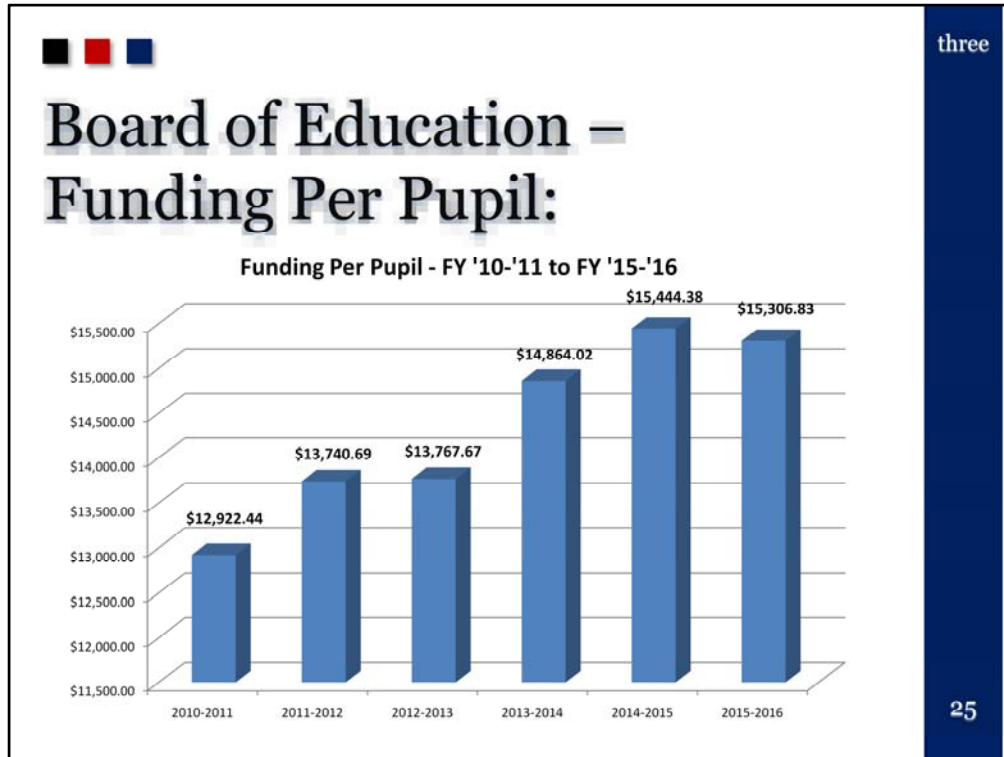
School Year	+/- by \$	+/- by %	Mayor
2004-2005	\$1.85 million	5.17%	Maturo
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2015-2016 - Proposed	\$750,000	1.62%	Maturo

23. My proposed funding commitment for education in my proposed budget is based on the need to ensure stability within our education system over the next year while we begin to implement the modernization and consolidation processes. I am not an advocate of shuffling our children around or over-crowding classes, both of which would be consequences of a flat-line education budget. Rather, I am proposing that we commit the funding to education necessary to maintain the present level of services so that we can carefully and thoughtfully undertake the consolidation process in a manner that has the least interference with education of our children. I know this funding commitment, especially if augmented by an increase in ECS funding from the state, will help ensure that our children continue to receive the attention they deserve, even while we are beginning to modernize and consolidate our school district.



24. As you can see, enrollment in our school system has been steadily decreasing for the past 5 years. Based on current numbers, it looks like it has stabilized around 3,081 students.

In light of this, the Town's increase in funding of \$750,000 dollars should greatly aid the Board in improving curriculum and the overall educational experience for our students.



25. As you can see, as a result of the reduction in enrollment and the proposed increase in funding, we will be allocating \$15,306.83 dollars per student in the next fiscal year – almost \$2,500 more than was allocated just 5 years ago.

As I do every year, I'd like to take a moment to express how proud I am of our students and all of the young people in our great community. We have many young people across Town who are active in so many different capacities. We have volunteers, artists, performers, accomplished athletes, and dedicated scholars. We have athletic teams that win regional and national tournaments and a band that consistently garners national recognition for its dedication, commitment, and talent. Our young people are wonderful ambassadors for our Town and are a shining example of the great things we are doing here in our community.

four



The Bottom Line: What's going to happen with taxes?

26. In the end, every budget address always comes down to one question: “What’s going to happen with taxes?” Well, let’s take a look.



In the 2014-2015 FY, the mill rate was set at 32.05.

The Result:

- Over 6,200 of the +/-10,000 homes in Town continued to pay \$374 less (on average) in taxes than they were paying prior to 2011.

27. In the present fiscal year, the mill rate was set at 32.05. As a result, over 6,200 of the 10,000 homes in Town continued to pay \$374 less (on average) in taxes than they were paying prior to my resuming office in 2011.



Example Property #1

Ozone Road, East Haven = 1,090 Sq. Feet,
2 Bedrooms, 1 Bath



Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012	\$143,450	26.59	\$3,814	-	-
2014-2015	\$102,840	32.05	\$3,296	\$518.00	13.5%

In the 2014-2015 FY, this taxpayer continued to pay \$518 less in taxes than he or she was paying under the prior administration.

28. For example, the owner of this property – a 2 bedroom, 1 bath cape located on Ozone Road paid \$518 dollars less than he or she was paying prior to my resuming office in 2011.



Example Property #2


Holland Road, East Haven – 1,040 Sq. Feet,
3 Bedrooms, 1.5 Bath



Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012	\$184,950	26.59	\$4,917	-	-
2014-2015	\$134,380	32.05	\$4,307	\$610.00	12.4%

In the 2014-2015 FY, this taxpayer continued to pay \$610 less in taxes than he or she was paying under the prior administration.

29. Again, the owner of this property – a 3 bedroom, 1.5 bath ranch located on Holland Road paid \$610 dollars less than he or she was paying prior to my resuming office in 2011.



four

Mill Rate Proposal – Reduce taxes by .5 mills

Reduction of .5 mills - 31.55 mills	
Total Revenue	\$89,046,057
Total Proposed Expenditures	\$88,446,057
Fund Balance Contribution	\$600,000
Balanced – Yes	+/- 0.00

A reduction of the mill rate by .5 mills (1.58%) would represent the **LARGEST** tax decrease in a non-revaluation year in the Town's modern history (dating back to 1989).

30

30. For the upcoming fiscal year, I am proposing a tax reduction of ½ of a mill – or 1.58%. A half-mill tax reduction would represent the **LARGEST** single-year tax decrease in a non-revaluation year since 1989.

Overall, the reduction would apply across the board to every home, vehicle, and piece of personal property that is currently being taxed in Town.

The tax reduction is all-the-more impressive given the fact that while reducing taxes, we will be increasing funding to education and continuing to reduce debt and restore the Town's rainy day fund.

My proposal to reduce taxes is a reward to the taxpayers for their patience over the last four years as we have worked incredibly hard to reduce our debt and increase our savings. Now that we have done that, we must avoid over-taxing. It is only fair to pass some of the newly-realized savings on to the taxpayers.



Practical Results - Example Property #1

Ozone Road, East Haven – 1,090 Sq. Feet,
2 Bedrooms, 1 Bath



Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012 (Capone)	\$143,450	26.59	\$3,814	-	-
2014-2015 (Maturo)	\$102,840	32.05	\$3,296	-\$518	-13.5%
2015-2016 (Maturo)	\$102,840	31.55	\$3,244	-\$570	-14.9%

*In 2015-2016, this taxpayer would be paying **\$52 less** than last year alone and **\$570 less (-14.9%)** in taxes than he or she was paying in 2011.*

31. Now, practically speaking, what will a ½ mill tax decrease mean to the average taxpayer?

Well, for the owner of the property on Ozone Road that I referred to earlier, it will mean that he or she will pay \$52 less than he or she paid last year alone and \$570 dollars (or 14.9%) less than he or she paid prior to my resuming office in 2011.



Practical Results - Example Property #2

Holland Road, East Haven – 1,090 Sq. Feet,
3 Bedrooms, 1.5 Baths



Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012 (Capone)	\$184,950	26.59	\$4,917	-	-
2014-2015 (Maturo)	\$134,380	32.05	\$4,307	-\$610	-12.4%
2015-2016 (Maturo)	\$134,380	31.55	\$4,240	-\$677	-13.7%

*In 2015-2016, this taxpayer would be paying **\$67 less** in taxes than he or she was paying last year alone and **\$677 less (-13.7%)** in taxes than he or she was paying prior to 2011.*

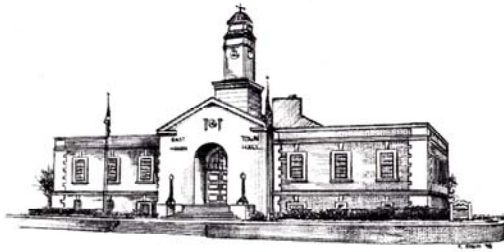
32. Similarly, for the owner of the property on Holland Road that I referred to moments ago, it will mean that he or she will pay \$67 dollars less than he or she was paying last year and \$677 dollars (or 13.7%) less than he or she was paying prior to my resuming office in 2011.



Budget Review– Overall

- Half-Mill Tax Decrease (**Largest since 1989**)
- \$750,000 dollars in funding for the BOE
- \$600,000 dollars to continue to restore the Town's rainy day fund
- \$1.5 million dollars in savings on long-term debt payments
- Increased funding for Police, Fire, and 911 Services

33. As a result, as you can see, my proposed budget provides for a half mill tax decrease – **the largest decrease in a non-revaluation year since 1989**. It provides for \$750,000 dollars in new funding for the Board of Education, and \$600,000 dollars to continue to restore the rainy day fund. As I stated earlier, this budget avoid over-taxing and rewards the taxpayers by putting some of the \$1.5 million dollars in debt savings back in their pockets where it belongs.



Town of East Haven Mayor Joseph Maturo, Jr.

2015-2016 Fiscal Year Budget Presentation

March 30, 2015 – East Haven High School

Closing Slide:

I'd like to thank everyone for coming out tonight and I encourage you all to participate in the budget process as it heads to the Town Council for approval.

Above all, I urge the Council to adopt the proposed mill rate decrease and the increase in funding to education as we must continue to make our community an affordable place to live and raise a family.

Thank you, and good night.