



Town of East Haven Mayor Joseph Maturo, Jr.

2016-2017 Fiscal Year Budget Presentation

March 28, 2016 – 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.



What was the Town's financial position at the close of the 2014-2015 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 2014-2015 fiscal year.



East Haven ended the 2014-2015 fiscal year with a surplus of \$1.29 million dollars.

TOTAL EXPENDITURES.....	91,461,789	2,571,681	8,418,942	102,452,612
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,237,572	(2,564,811)	146,894	(1,180,345)
OTHER FINANCING SOURCES (USES):				
Issuance of refunding bonds.....		6,890,000		6,890,000
Payments to bond escrow agents.....		(7,833,920)		(7,833,920)
Capital lease.....		268,081		268,081
Bond premium.....		1,120,967		1,120,967
Transfers in.....	61,290		74,885	136,175
Transfers out.....		(8,878)	(127,297)	(136,175)
NET OTHER FINANCING SOURCES (USES).....	61,290	436,250	(52,412)	445,128
NET CHANGE IN FUND BALANCES.....	1,298,862	(2,128,561)	94,482	(735,217)
FUND BALANCE, JULY 1, 2014.....	2,551,976	228,227	3,010,967	5,791,170
FUND BALANCE, JUNE 30, 2015.....	\$ 3,850,838	\$ (1,900,334)	\$ 3,105,449	\$ 5,055,953

- Page 18, FY 2013-2014 Annual Financial Report

2. As Page 18 of the Annual Financial Report shows, the Town ended the 2014-2015 Fiscal Year with a surplus of \$1.29 million dollars.

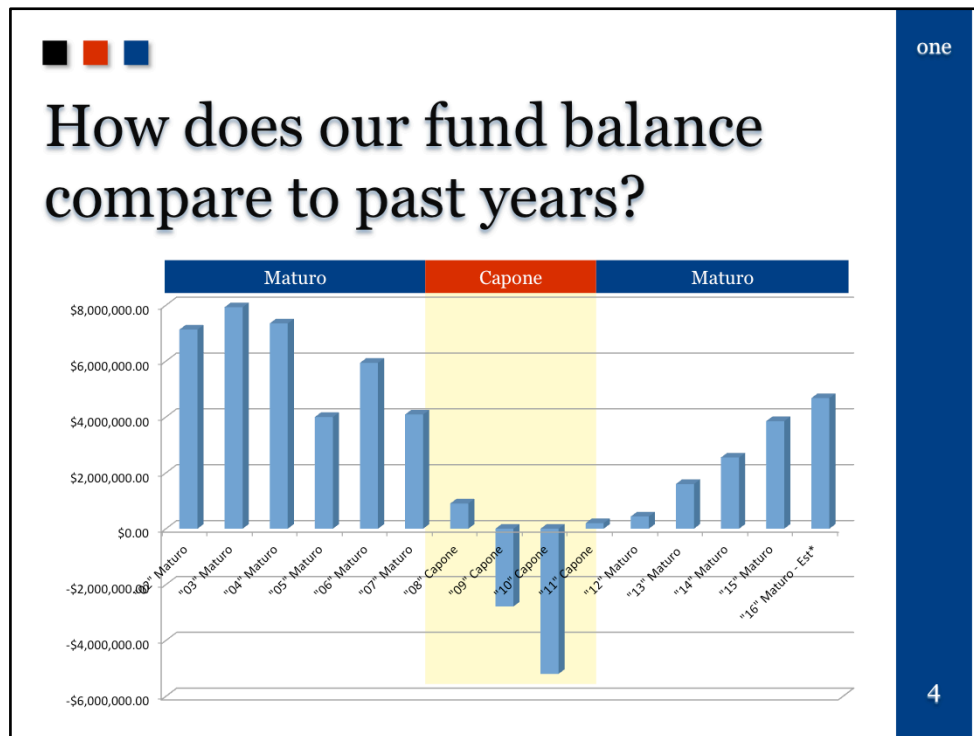


As a result, East Haven's fund balance increased to \$3.85 million dollars.

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- Page 18, FY 2013-2014 Annual Financial Report

3. That money was added to the Town's rainy day fund, increasing the balance of this fund from \$2.55 million dollars to \$3.85 million dollars. This marks an increase of 50.8% 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.

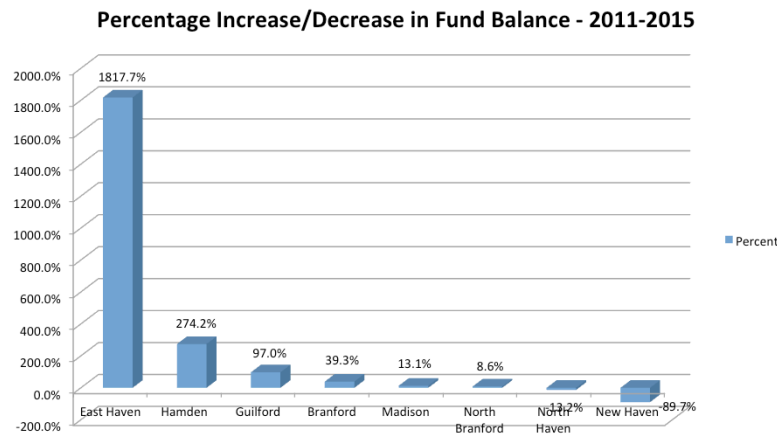
As you can see, when we resumed office in 2011, the rainy day fund contained just \$200,000 dollars. Since then, we have steadily worked to restore it. Based on a projected surplus this year, the rainy day fund is forecasted to reach \$4.6 million dollars – a full \$600,000 dollars more than I left the Town in 2007.

As a result, I am proud to say that as of the June 30th of this year, we will have finally and officially reversed the fiscal damage the Town sustained between 2007 and 2011 because we will have **COMPLETELY** restored our rainy day fund.



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How does this compare to neighboring towns?



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5. It is clear that thanks to sound budgeting and fiscal restraint, East Haven has made a dramatic financial turnaround. In fact, our success replenishing our fund balance is even more impressive when you compare our progress since 2011 to neighboring Towns.

Since 2011, we have increased our fund balance by over 1,800%! The Towns with the next largest fund balance growth in the immediate region are Hamden and Guilford, with 274% and 97% respectively.



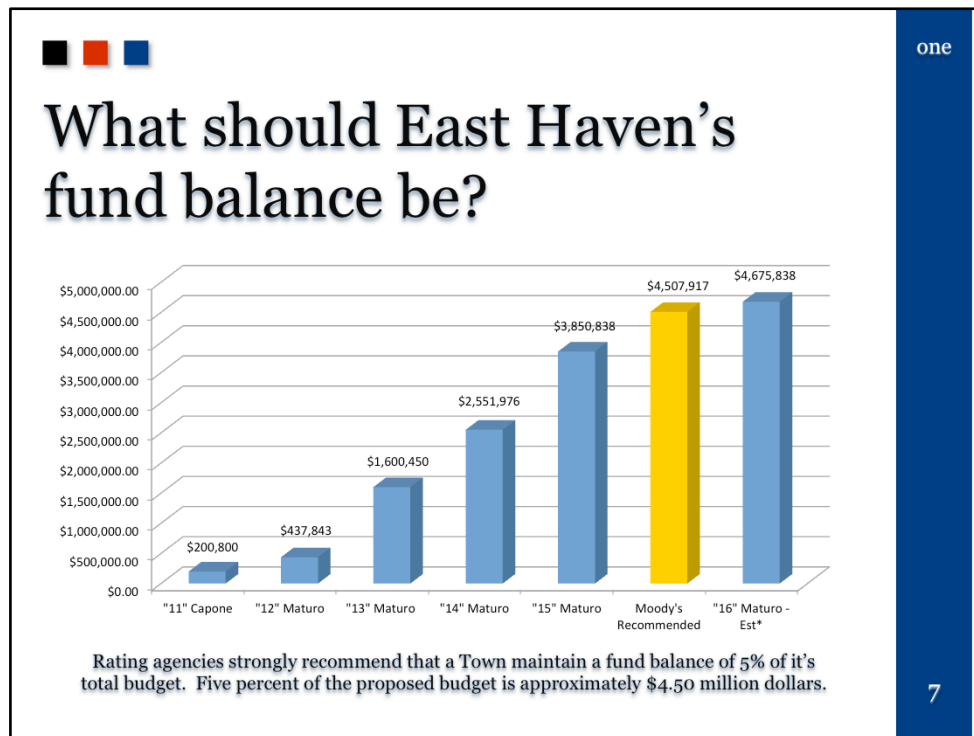
How does this compare to neighboring towns?

Town	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	Reduction/ Increase	Percent
East Haven	\$200,800.00	\$437,843.00	\$1,600,450.00	\$2,551,976.00	\$3,850,838.00	\$3,650,038.00	1817.7%
Hamden	\$813,304.00	\$1,194,991.00	\$1,689,070.00	\$2,217,340.00	\$3,043,752.00	\$2,230,448.00	274.2%
Guilford	\$4,522,231.00	\$5,084,142.00	\$6,617,254.00	\$7,838,225.00	\$8,908,166.00	\$4,385,935.00	97.0%
Branford	\$17,776,116.00	\$19,340,439.00	\$21,638,146.00	\$22,967,686.00	\$24,760,187.00	\$6,984,071.00	39.3%
Madison	\$9,530,278.00	\$10,028,892.00	\$8,971,912.00	\$10,224,649.00	\$10,778,063.00	\$1,247,785.00	13.1%
North Branford	\$6,680,812.00	\$7,071,993.00	\$7,084,024.00	\$6,535,116.00	\$7,254,419.00	\$573,607.00	8.6%
North Haven	\$14,422,930.00	\$13,535,428.00	\$13,493,204.00	\$13,426,263.00	\$12,513,181.00	-\$1,909,749.00	-13.2%
New Haven	\$16,827,620.00	\$8,791,796.00	-\$4,721,555.00	\$22,047.00	\$1,726,001.00	-\$15,101,619.00	-89.7%

- 2011-2015 Annual Financial Reports, Various Municipalities

6. By contrast, the City of New Haven, as a result of consecutive operating deficits a few years ago, has experienced an 89.7% drop in its fund balance. Other neighboring Towns with already-healthy fund balances, like Branford and Madison, have seen modest increases of between 13.1% and 39.3%.

At the end of the day, the dramatic increase in our fund balance in such a short period of time is evidence that our corrective efforts have been an overwhelming success.



7. 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.

In the upcoming budget year, we are projecting to have a fund balance of approximately \$4.67 million dollars on hand. As a result, it is once again with great pride that I say that the 2016-2017 budget will be the **FIRST IN 10 YEARS** (the first since my 2006-2007 budget) in which we will have officially met the recommendation of Moody's and Standards and Poor's with respect to our fund balance.



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

OUTSTANDING LONG-TERM DEBT

	2015	2014
General purpose bonds	\$ 22,204,108	\$ 24,578,234
School bonds	8,310,892	12,186,766
Sewer	360,000	720,000
Bond anticipation notes	1,500,000	-
Total	<u>\$ 32,375,000</u>	<u>\$ 37,485,000</u>

Annual Financial Report, 2014-2015, P. 18

In FY '14-'15, the Town paid down \$5.11 million,
or 13.6%, of its long term debt.

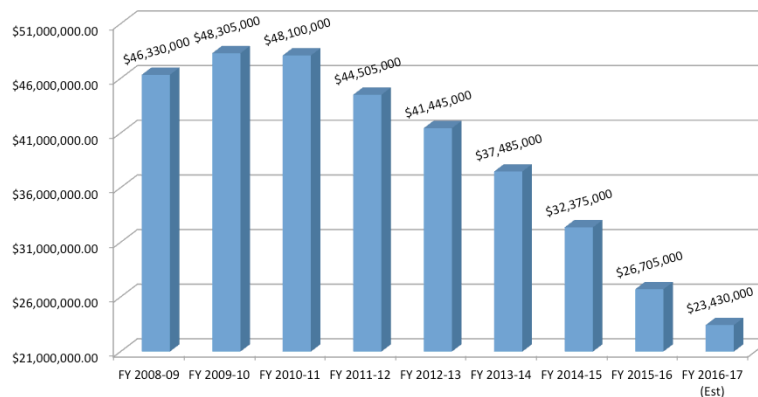
8. In addition to the Town's fund balance, debt is another key factor that affects our budget and our taxes. Like you and I, the Town has long term debt.

According to our last audit, the Town began the 2014-2015 fiscal year with \$37.4 million dollars in long term debt. In the last budget year, we paid off 5.11 million dollars of that debt, or 13.6% percent, reducing our total long term debt to \$32.3 million dollars.



How does our debt position compare to past years?

Outstanding Debt - FY '08-'09 to FY '16-'17 (Est.)



9. In the present fiscal year, the Town is slated to make interest and principal payments of \$6.7 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 \$4.4 million dollars toward its long term debt.

Based on these payments, the Town's long term debt will be approximately \$23.4 million dollars. This marks an astounding \$22.9 million dollar (or 49%) reduction in the Town's debt since 2008.

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.

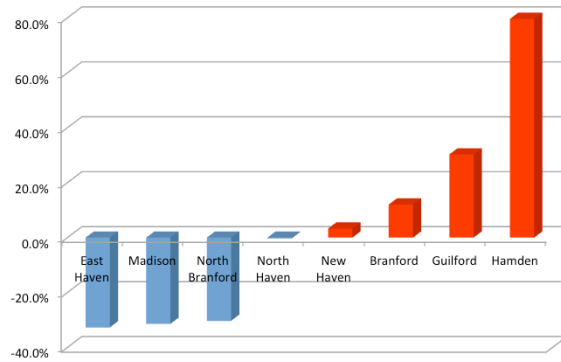
Looking ahead to future years, based on our current debt schedule, we are actually slated to pay off 80% of our remaining debt in the next 9 years provided we continue to exercise fiscal restraint.



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How does this compare to neighboring towns?

Debt Reduction (by %) - FY '10-'11 to '14-'15



Town	Percent
East Haven	-32.7%
Madison	-31.4%
North Branford	-30.3%
North Haven	-0.3%
New Haven	3.3%
Branford	12.0%
Guilford	30.3%
Hamden	79.6%

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10. As you can see, since July of 2011, East Haven has paid off an incredible 32.7% of its long term debt. In fact, if you go back through our neighbors' yearly audits, East Haven has paid off the largest percentage of its long-term debt of any of its surrounding neighbors.

As you can see, not only have we increased our fund balance tremendously, we've also paid off an incredible amount of debt.



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

11. 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)

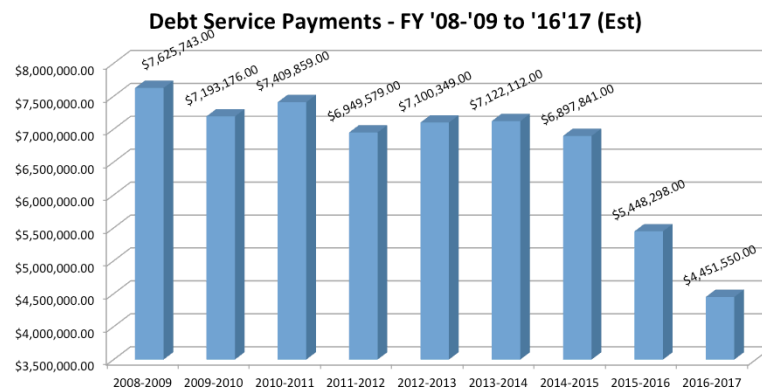
12. While there are many different types of expenses, several are incurred every year. They are expenses which may be required by contract or which are essential to running our community on a day-to-day basis.

For example, employee benefits, insurance, and debt service are expenses we must pay each year. Legal services are essential to the defense of the Town. Utilities like water, sewer, heat, and electricity are required if we wish to keep our buildings open and operational. And finally, education, police, fire, and public works services are essential to ensure the continued safety of our Community.



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Debt Service – A Key to the Proposed FY 16-17 Budget:



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13. As I indicated, debt payments are non-discretionary. Just like a mortgage, we must pay our debt. However, **THE CATCH** is that we always have the option to decide how much debt we are going to take on.

As I demonstrated earlier, since 2011, the Town of East Haven has committed to a policy of bonding only when we absolutely must. As a result, we've reduced the total amount of our long-term debt **AND** the size of our yearly debt payments.

In the 2008-2009 budget year, our debt payment was a whopping \$7.62 million dollars. In the upcoming budget, thanks to the debt we've paid off, our debt service payment is only \$4.45 million – a difference of \$3.17 million dollars. With the savings from these lower debt payments, we've increased funding to education, restored our rainy day fund, and last year enacted the largest tax decrease in a non-revaluation year since 1989.



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-

14. Another large reason we were able to reduce our debt stems from the credit rating increase we earned two years ago.

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 back to “A-”, allowing us to obtain significantly better bond rates and to refinance some high-interest bonds.

Restructuring our debt allowed us to pay that debt down faster and with less interest.

Based on the fact that we’ve completely restored our fund balance and reduced our debt to historically low levels, the Town is optimistic that it will earn another credit rating increase when it seeks to bond for the capital improvement program this summer.



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

15. 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 FY16-17 Budget:

List Type	2013	2014	2015	+/- from 2014
Real Property	\$1,761,323,070	\$1,778,095,050	\$1,787,888,790	+\$16,153,0460
Motor Vehicles	\$161,724,299	\$164,469,374	\$163,162,700	-\$1,306,674
Personal Property	\$52,458,158	\$55,743,230	\$60,409,210	+\$4,665,980
TOTAL	\$1,975,505,527	\$1,998,307,654	\$2,011,460,700	+\$16,153,046 (+.80%)

In the last year, the list of taxable property in East Haven grew by almost \$16 million dollars – or .80%. The growth was in large part to economic development efforts in recent years.

16. In my address to you last year, I indicated that growing the grand list was a priority for the upcoming year and another reason why the Town was able to implement a historic tax decrease. As I've explained before, bringing new businesses into Town increases the list of taxable property, reducing the tax burden on residents.

In the last year, we have grown our grand list by over \$16 million dollars – the second year in a row in which grand list growth has topped \$16 million. To put this in perspective, \$16 million dollars represents approximately \$500,000 dollars in new tax revenue for the Town in the upcoming budget year.

As you can see, stimulating grand list growth, in the form of new businesses, greatly improves the Town's tax position each year. This grand list growth and its resulting tax revenue will help shore up our budget and help us absorb cuts in State funding resulting from the State's continuing budget problems.

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The Proposed 2016-2017
Budget - Highlights

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17. Moving on, I'd now like to take you through an overview of my proposed budget for the 2016-2017 fiscal year.



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The Big Picture – Part 1:

Expenditures: \$89,530,581.00

Fund Balance

Contribution: \$600,000.00

TOTAL BUDGET: \$90,130,581.00

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18. Overall, my budget calls for \$89.53 million dollars in expenditures. In addition, my budget calls for a \$600,000 appropriation to continue to shore up the fund balance. As a result, the overall proposed budget is just over \$90 million dollars.



The Big Picture – Part 2:

- i. 1.87% Increase in Expenses over FY '15-'16
- ii. \$250,000 increase in funding for education
- iii. \$600,000 in funding to continue to shore up the Town's Fund Balance

19. My proposed budget represents a 1.87% increase in expenditures over the prior fiscal year. Importantly, it calls for a \$250,000 dollar increase in funding to education. Finally, it appropriates \$600,000 dollars to continue to restore our fund balance.



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Line item increases affecting the budget :

Department	% Increase	\$ Increase
Insurance/Employee Benefits	12.26%	\$1,084,591.00
Education	.50%	\$250,000.00
Public Services	8.01%	\$176,369.00
Police Dept.	3.04%	\$155,906.00
Fire Dept.	1.95%	\$104,262.00
TOTAL		+\$1,771,128.00

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20. As you can see, increases to Insurance, Education, Public Services, Police, and the Fire Department represent the largest increases in my budget.

Due to rising insurance costs, the Town was hit with a massive \$1.08 million dollar increase in insurance costs. The next largest increase goes to our children, in the form of a \$250,000 dollar increase to education. The remaining \$330,000 dollars in extra funding is spread out among the Public Services Department, Police Department, and Fire Department.



three

Line item reductions affecting the budget – Part 1:

Department	% Decrease	\$ Decrease
Debt Service	-18.29%	\$996,748.00
General Services	-4.74%	\$100,000.00
Health	-9.62%	\$25,287.00
Legal	-.240%	\$12,000.00
TOTAL		-\$1,134,035.00

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21. On the other hand, my proposed budget also reflects some valuable line item reductions. This budget year, thanks to our effort to reduce our debt, our debt service payment drops just under \$1 million dollars. In addition, the general services budget sees a reduction of \$100,000 dollars. The Regional Health District line item sees a reduction of \$25,000 thanks to streamlined operations and cost-savings. Finally, the legal department sees a reduction of \$12,000 resulting from the continued resolution of large cases.

As you can see, reducing debt service was the key this year to being able to absorb the \$1 million dollar increase in our insurance costs.



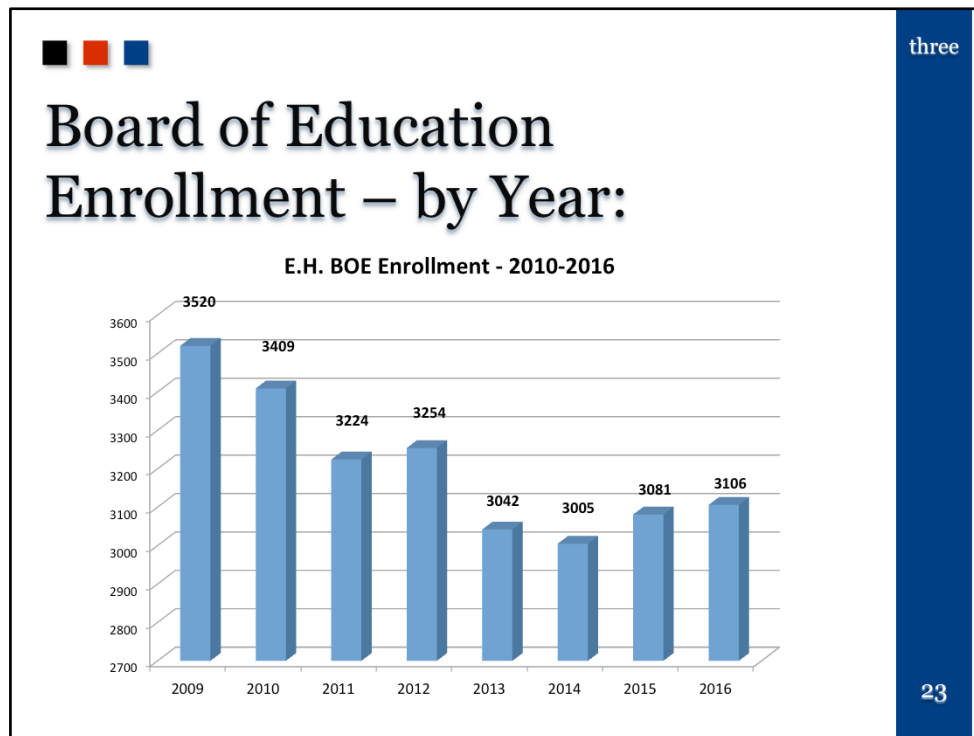
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Board of Education Funding – by Year:

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	\$750,000	1.62%	Maturo
2016-2017 – Proposed	\$250,000	.50%	Maturo

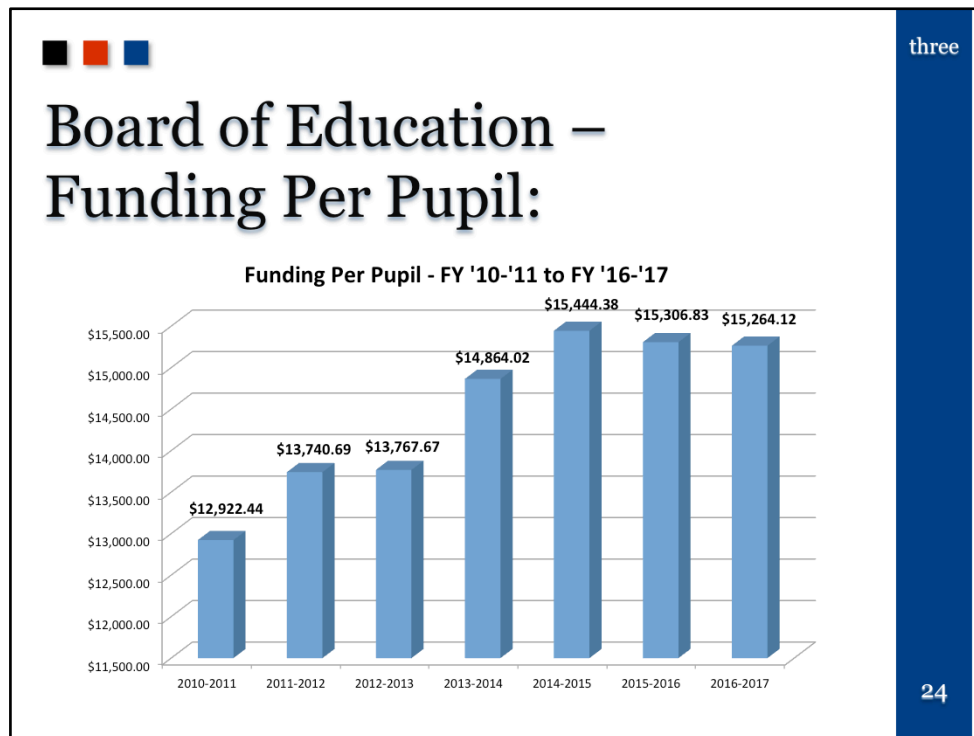
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22. Since 2011 alone, my administration has appropriated over \$2.8 million dollars in new funding for the Board of Education. This year, the district has announced plans to close two schools as the first step in the Board of Education's consolidation plans. As a result, my budget proposal calls for a \$250,000 dollar increase in funding for education, which represents a realistic and responsible increase in funding given the expected reduction in operating and staff costs that will be generated by the Board of Education's consolidation plan.



23. As you can see, enrollment in our school system has been steadily decreasing for the past 7 years. Based on current numbers, it looks like it has stabilized around 3,100 students – down from a high of 3,900 students when I first took office in 1997.

In light of this, the Town's increase in funding of \$250,000 dollars should greatly aid the Board in improving curriculum and the overall educational experience for our students.



24. As you can see, as a result of the proposed increase in education funding, we will be allocating \$15,264 dollars per student in the next fiscal year – approximately \$2,500 more than was allocated just 5 years ago.

As I do every year, I'd like to take a brief moment to express how proud I am of all of the talented students we have in our great community. Throughout our school system we have volunteers, artists, performers, accomplished athletes, and dedicated scholars. We have athletic teams that win regional and national tournaments and an amazing band that consistently earns national recognition for its dedication, commitment, and talent. Our young people are wonderful ambassadors for our Town and they remain a shining example of the great things we are doing here in our community.

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

25. 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 2015-2016 FY, the mill rate was set at 31.55.

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.

26. In the present fiscal year, the mill rate was set at 31.55. 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



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Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012	\$143,450	26.59	\$3,814	-	-
2015-2016	\$102,840	31.55	\$3,244	\$569.00	14.9%

In the 2014-2015 FY, this taxpayer continued to pay \$569 less in taxes than he or she was paying under the prior administration.

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27. For example, the owner of this property – a 2 bedroom, 1 bath cape located on Ozone Road paid \$569 dollars less than he or she was paying prior to my resuming office in 2011.



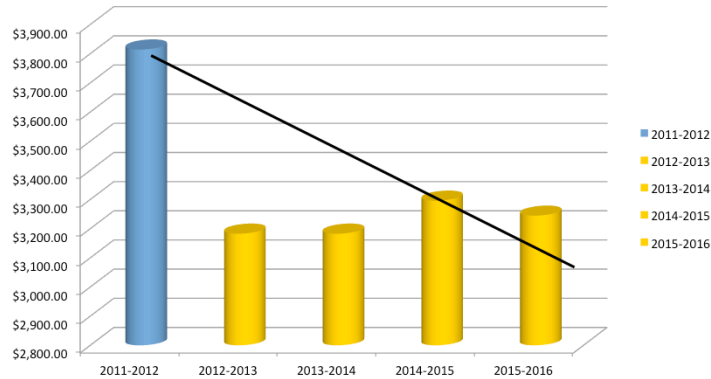
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Ozone Rd. Example Property 1 - Taxes



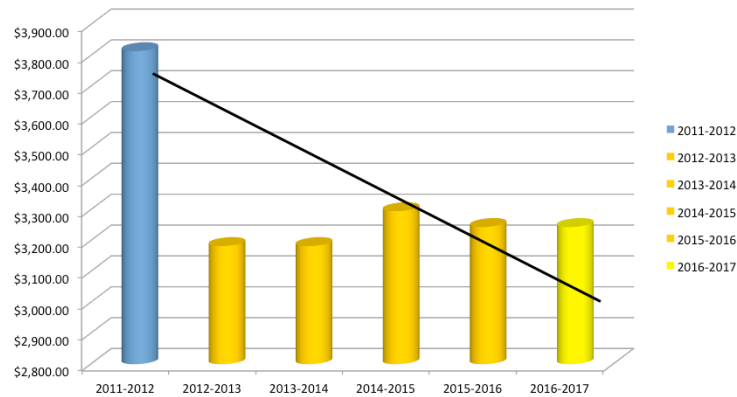
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28. As you can see, with the exception of a minor bump in the 2014-2015 fiscal year, taxes have been steadily declining, with a large majority of homeowners paying less in taxes than in 2011.



Mill Rate Proposal – NO CHANGE in the Mill Rate

Ozone Rd. Example Property 1 - Taxes



29. For the upcoming fiscal year, I am proposing that the mill rate remain unchanged. This will preserve the tax savings we generated last year when we instituted the largest tax decrease in a non-revaluation year since 1989.

In the end, my recommendation to leave the mill rate unchanged was made possible due to two primary factors: the \$1 million dollar reduction in our debt payments and the increase in revenue from growth in our grand list. This budget proposal rewards taxpayers with another year of stable, predictable taxes.



Budget Review– Overall

- **No Change** in the Mill Rate
- \$250,000 dollars in funding for the BOE
- \$600,000 dollars to continue to restore the Town's rainy day fund
- \$1 million dollars in savings on long-term debt payments
- Increased funding for Police, Fire, and Public Services

30. Just to summarize - My proposed budget provides for **no change in the mill rate**. It provides for \$250,000 dollars in new funding for the Board of Education and \$600,000 dollars to continue to stabilize the rainy day fund. This budget also provides vital funding for our Police, Fire, and Public Services Departments so that they can continue to protect and serve our residents.



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.

Thank you, and good night.