

Town of East Haven Mayor Joseph Maturo, Jr.

2017-2018 Fiscal Year Budget Presentation

Tuesday, 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 who 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.

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What was the Town's
financial position at the
close of the 2015-2016
Fiscal Year?

1. With that said, I'd like to present my budget by first re-capping the Town's financial position at the close of the 2015-2016 fiscal year.



East Haven ended the 2015-2016 fiscal year with a surplus of \$1.13 million dollars.

TOTAL EXPENDITURES.....	92,066,517	2,481,540	9,285,864	103,833,921
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	1,108,861	(2,468,020)	(421,756)	(1,780,915)
OTHER FINANCING SOURCES (USES):				
Capital lease.....		257,647		257,647
Bond premium.....		17,130		17,130
Transfers in.....	25,015			25,015
Transfers out.....			(25,015)	(25,015)
NET OTHER FINANCING SOURCES (USES).....	25,015	274,777	(25,015)	274,777
NET CHANGE IN FUND BALANCES.....	1,133,876	(2,193,243)	(446,771)	(1,506,136)
FUND BALANCES, JULY 1, 2015.....	3,850,838	(1,900,334)	3,105,449	5,055,953
FUND BALANCES, JUNE 30, 2016.....	\$ 4,984,714	\$ (4,093,577)	\$ 2,658,678	\$ 3,549,815

- Page 18, FY 2015-2016 Annual Financial Report

2. As Page 18 of the “Annual Financial Report” shows, the Town ended the 2015-2016 Fiscal Year with a surplus of \$1.13 million dollars.

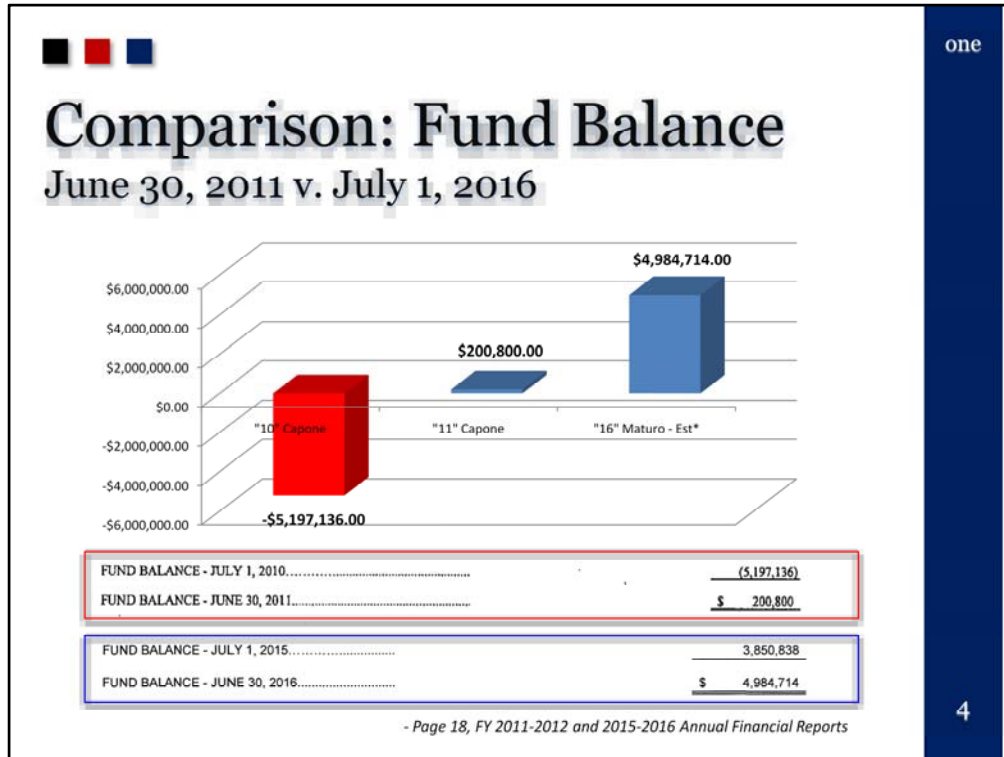


As a result, East Haven's fund balance increased to \$4.98 million dollars.

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- Page 18, FY 2015-2016 Annual Financial Report

3. That money was added to the Town's rainy day fund, raising that fund from \$3.85 million dollars to \$4.98 million dollars. This marks an increase of 29% in just one year.

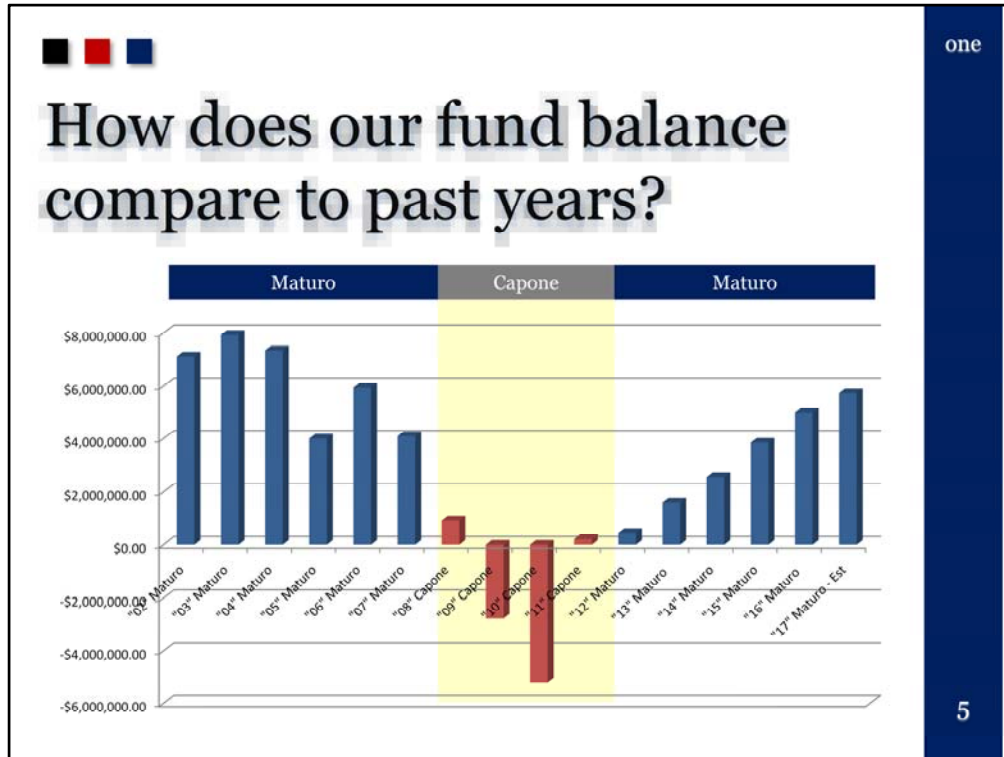


4. You may be asking, “How does this compare with previous years?”

Tonight, I’m going to reference back to 2011 quite a bit – because that marked the year my team and I returned to Town Hall and implemented a series of fiscal controls that brought East Haven off the brink of bankruptcy and back to secure financial footing.

As you can see, at the start of the 2010-2011 fiscal year, the Town’s fund balance had spiraled into a \$5.19 million dollar fund balance deficit. In 2011, even following a massive 17% tax hike by the prior administration, the Town had just over \$200,000 dollars in this critical fund.

However, the recent audit confirms that at the close of the past fiscal year, we now have \$4.98 million dollars in our rainy day – an increase of 2,484% in six years.

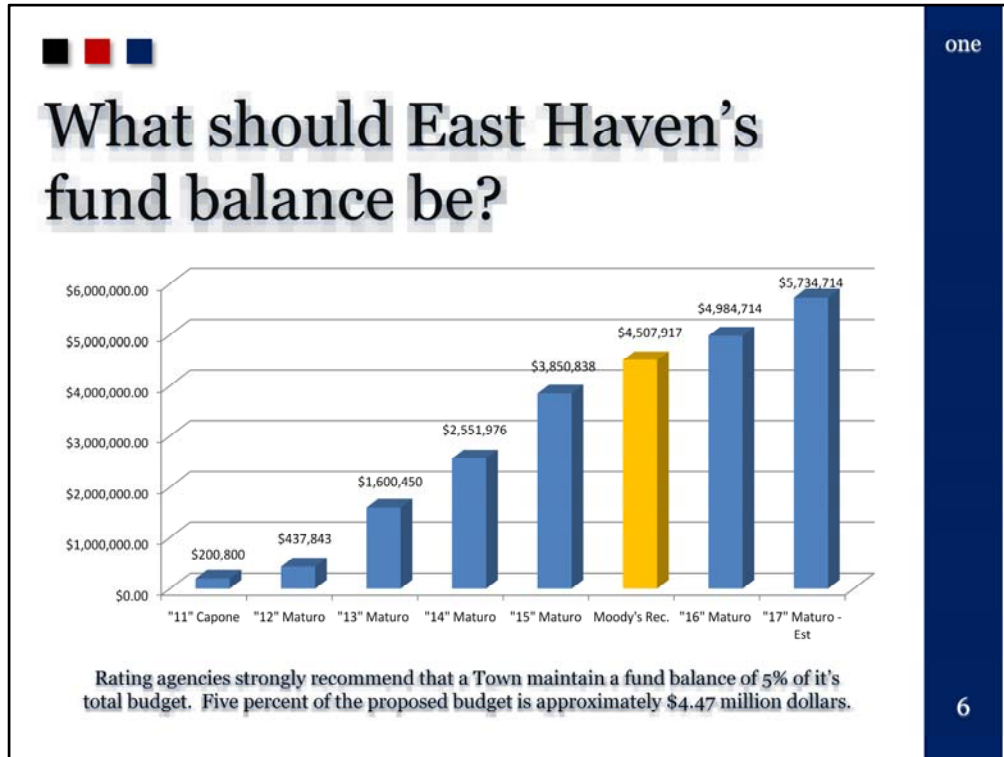


5. In fact, this administration has always demonstrated a strong commitment to keeping a healthy fund balance.

Between 1997 and 2007 during my first 10 years in office, the Town balanced 10 straight budgets and maintained a fund balance of generally no less than \$4 million dollars.

However, 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 \$5.1 million dollar deficit.

As you can see, since resuming office in 2011, we have steadily worked to restore the fund balance, which is on track to reach \$5.7 million dollars at the close of the current fiscal year.



6. As I've indicated in the past, credit rating agencies like Moody's and Standards & Poors 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 \$4.47 million dollars.

We presently enjoy a fund balance of \$4.98 million dollars, which we project will grow to \$5.73 million dollars in this budget year. As a result, it is with great pride that I say that the current budget and the proposed 2017-2018 budget are the **FIRST IN 10 YEARS** (the first since my 2006-2007 budget) in which we have officially met and exceeded the minimum recommendations of the national credit agencies with respect to our fund balance.



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

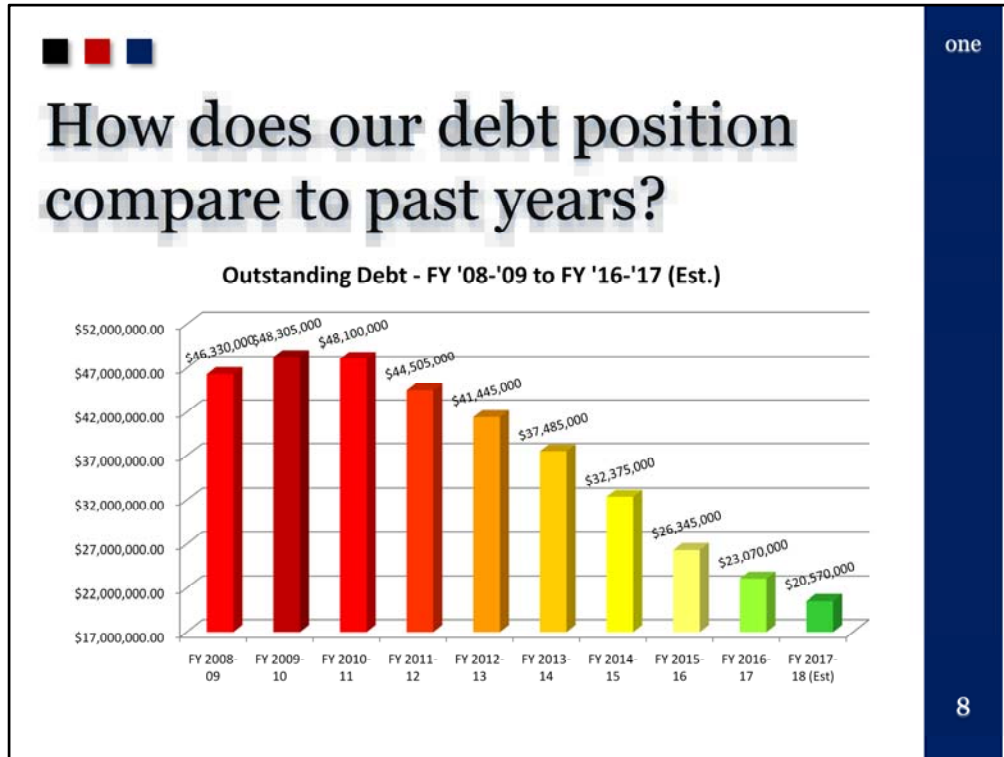
OUTSTANDING LONG-TERM DEBT		
	2016	2015
General purpose bonds	\$ 20,232,412	\$ 22,204,108
School bonds	6,112,588	8,310,892
Sewer	-	360,000
Total	<u>\$ 26,345,000</u>	<u>\$ 30,875,000</u>

Annual Financial Report, 2015-2016, P. 12

In FY '15-'16, the Town paid down \$4.53 million,
or 14.6%, of its long term debt.

7. 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 2015-2016 fiscal year with \$30.87 million dollars in long term debt. In that fiscal year, the audit shows that we paid off \$4.53 million dollars of that debt, or 14.6% percent, reducing our total long term debt to \$26.34 million dollars.



8. The remarkable progress we've made reducing our long-term debt burden is particularly noticeable, even looking back just six years ago. w

Back in 2011, we had total outstanding debt of \$48.1 million dollars.

Looking ahead, the Town will make principal and interests payments toward that debt totaling \$4.45 million dollars in this budget and \$3.2 million dollars in the proposed 2017-2018 budget.

Based on these payments, the Town's long term debt will be reduced to \$20.5 million dollars - its lowest level in the Town's modern history. This marks an astounding reduction of \$27.5 million dollars (or 57%) since 2011. **(THAT'S JUST SIX YEARS.)**

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

9. Now that I've given you a summary of the progress we've 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.



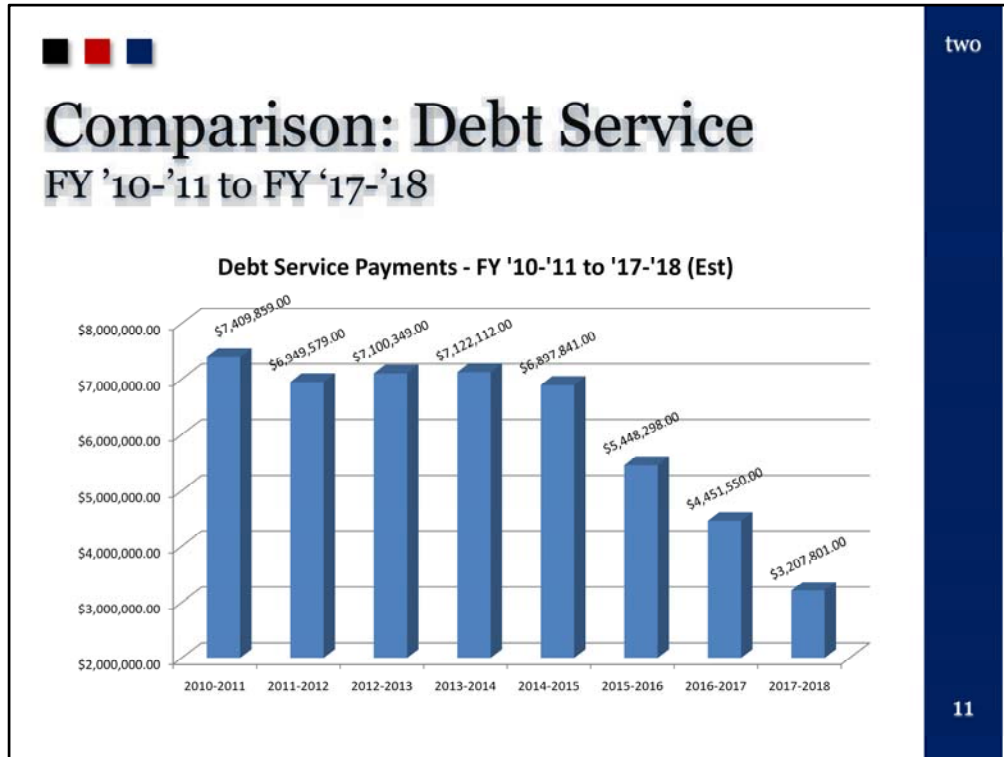
Key factors that affect the Town's budget:

- 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. While there are many different types of expenses, several (like employee benefits, insurance, and debt service) are consistent from year to year.

Others, like water, sewer, heat, and electricity payments, 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.



11. As I just noted, debt payments are non-discretionary. Just like a mortgage, we must pay our debt. However, since 2011, we've committed to a policy of borrowing only when we absolutely must. As a result, we've reduced not only the total amount of our long-term debt, **BUT ALSO** the size of our yearly debt payments.

In the '10-'11 budget year, our debt payment was a crippling \$7.6 million dollars. In the upcoming budget, we've reduced our debt service payment to \$3.2 million dollars— a difference of \$4.4 million dollars.

With the savings from these lower debt payments, we've increased funding to education, restored our rainy day fund, and been able to preserve the tax decrease we enacted in 2015, which marked the largest in a non-revaluation year since 1989.



Debt Payments and our Bond Rating

two

EAST HAVEN
Standard and Poor's awards town A+ bond rating

By Reporter staff

When I issued office in 2011, the Town was saddled with over \$100 million dollars in debt. In just five short years, we've reduced that indebtedness by an astounding 47 percent to just \$52.5 million dollars," Mayor stated as a source.

This two-tier rating increase marks the second credit rating upgrade for Mayor Joseph Maturo Jr. and his administration since he returned to office in 2011. East Haven was previously awarded an A- bond rating.

the Town's fiscal policies and that the firm has assigned a "stable" outlook to our overall financial situation," Maturo said in the release.

Since fiscal year 2011, the town has improved its budgetary performance and possesses a strong debt and contingent liability position. "East Haven's prudent fiscal policies demonstrated significant improvement between fiscal years 2011 to 2016. When a new administration came on board in 2011, the town implemented new policies to curb operating deficits. We acknowledge that the current administration has put more place recovery through cost-cutting and savings, which have improved budgetary performance, created an overall management stability," Standard and Poor's stated in the release.

While the credit rating agency cited ongoing deferred capital expenditures due to

STANDARD & POOR'S

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-
2016	A+

*Since 2011, the Town has earned **THREE** increases in its bond rating, including an historic two-tier increase in 2016.*

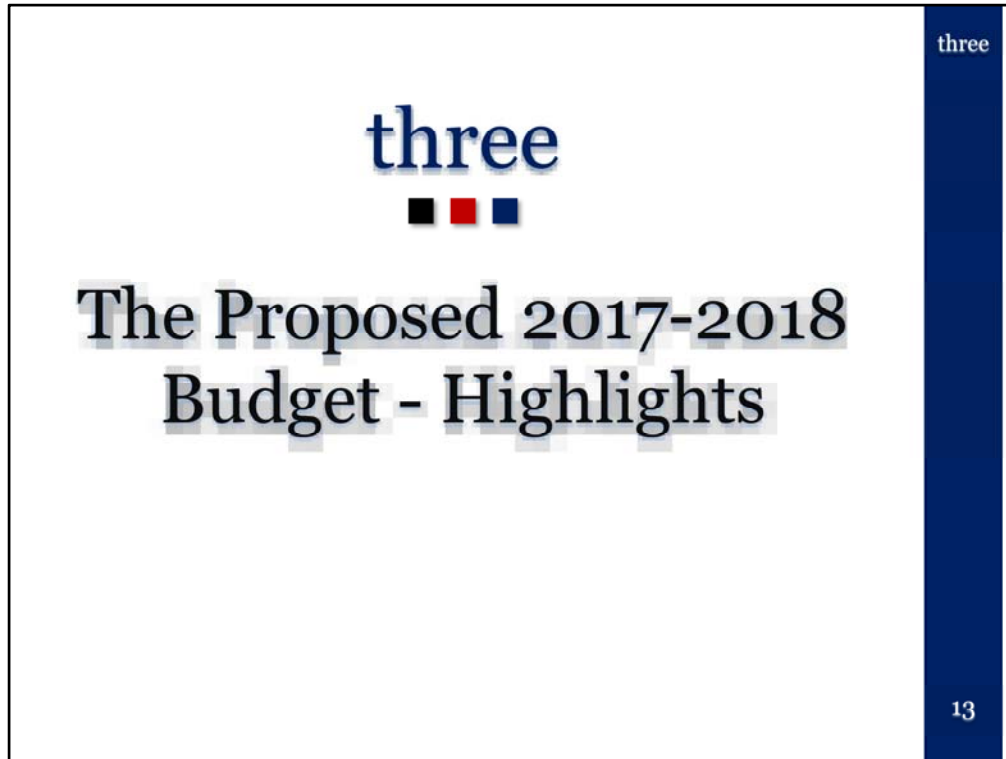
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12. Another large reason we have able to reduce our debt stems from the credit rating increases we earned in both 2014 and in 2016.

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, 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 of the Town’s higher-interest bonds.

Then, in 2016, after the Town demonstrated continued success restoring its rainy day fund and reducing its debt, S&P awarded the Town an historic two-tier bond rating upgrade to “A+” – **it’s highest level in the Town’s modern history.**



13. Moving on, I'd now like to take you through an overview of my proposed budget for the 2017-2018 fiscal year.



The Big Picture – Part 1:

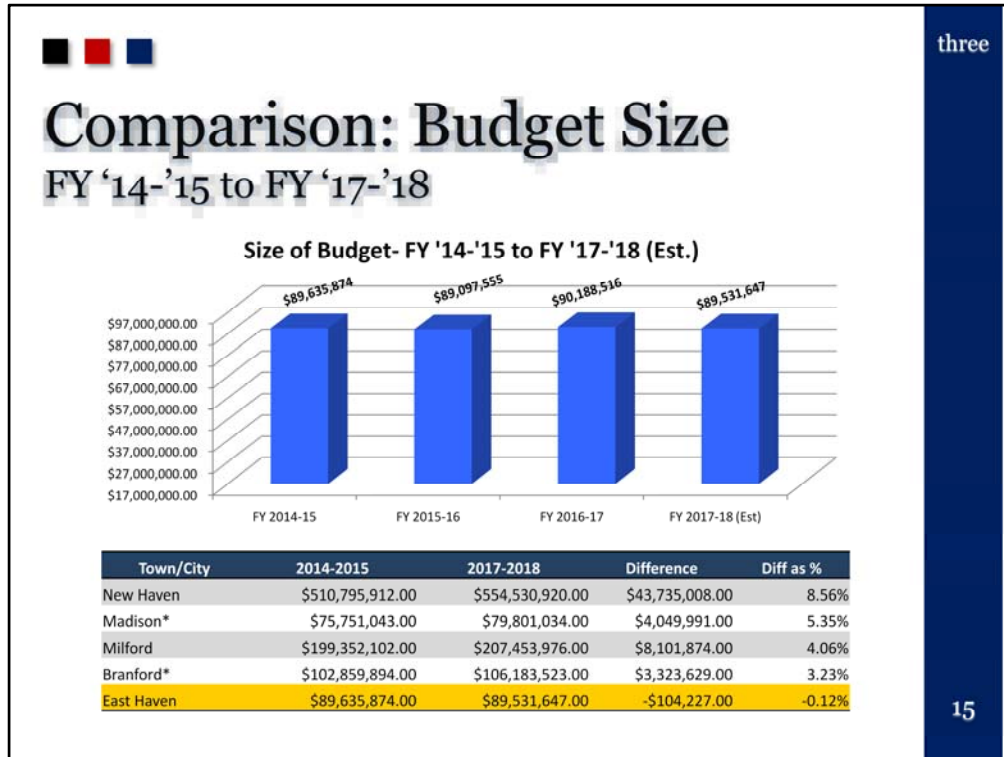
Expenditures: \$89,431,647.00

Fund Balance

Contribution: \$100,000.00

TOTAL BUDGET: \$89,531,647.00

14. Overall, my budget calls for \$89.4 million dollars in expenditures. In addition, my budget calls for a \$100,000 dollar appropriation to continue building the fund balance. As a result, the overall proposed budget is just over \$89.5 million dollars.



15. Everyone knows that the costs to operate our Towns continue to rise, especially in light of the State's budget crisis. And when costs have risen, so many towns and cities (including some of our neighbors) have simply taken the easy way out by raising taxes and increasing the sizes of their budgets. But, that's not what we've done in East Haven.

Since 2014, we've experienced increases in our health insurance premiums and rising salaries for our employees. We've even expanded a number of services we offer residents. However, unlike most other Towns which have simply increased their budgets or raised taxes over that span, we've actually **REDUCED** the size of our budget. In fact, my proposed budget is roughly \$105,000 dollars **LESS** than the budget we proposed and enacted in 2014.

I've said it before, and I'll say it again – here in East Haven, we have learned to do significantly MORE, WITH LESS.



The Big Picture – Part 2:

- i. .73% Decrease in Expenses over FY '16-'17
- ii. \$1.4 million increase in funding for education (\$300,000 from the Town)
- iii. \$100,000 in funding to continue to shore up the Town's Fund Balance

16. My proposed budget represents a .73% **DECREASE** in expenditures over the prior fiscal year. Importantly, it calls for a total increase in funding to education of \$1.4 million (including \$300,000 from the Town and \$1.1 million in additional State aid). Finally, it appropriates an extra \$100,000 dollars to continue rebuilding our fund balance.



Line item increases affecting the budget :

Department	% Increase	\$ Increase
Employee Benefits	3.42%	\$339,882.00
Police Dept.	5.97%	\$316,506.00
Education	.63%	\$300,000.00
Fire Dept.	3.67%	\$199,783.00
Public Safety Center	5.76%	\$45,687.00
TOTAL		+\$889,008.00

17. As you can see, the largest increases in the upcoming budget are to the line items for Employee Benefits, Education, and our public safety departments including Police, Fire, and our 911 Dispatch Center.



Line item reductions affecting the budget:

Department	% Decrease	\$ Decrease
Debt Service	-27.94%	\$1,243,749.00
Insurance	-7.36%	\$200,000.00
Legal	-21.91%	\$125,000.00
General Services	-2.99%	\$60,000.00
TOTAL		-\$1,628,749.00

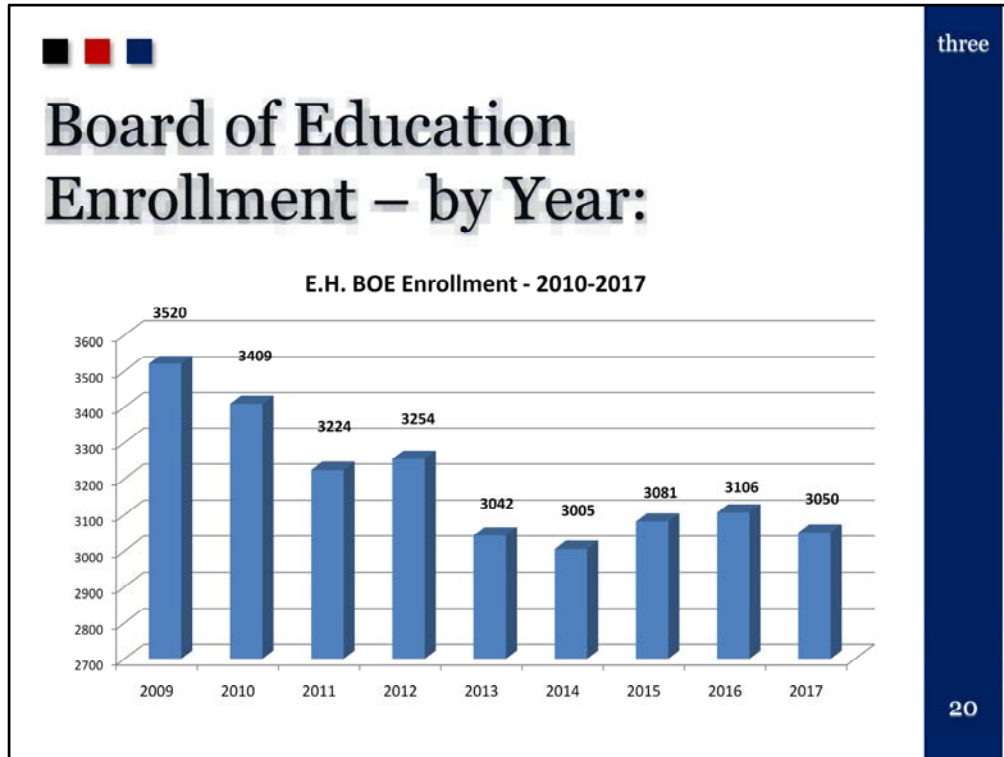
18. On the other hand, my proposed budget also reflects some valuable line item reductions. This budget year, thanks to our continued debt reduction efforts, our debt service payment drops by over \$1.2 million dollars. In addition, both our insurance and legal line items drop by \$200,000 dollars and \$125,000 dollars respectively. Finally, our general services line items sees a reduction of \$60,000 due to increased operational savings.



Board of Education Funding – by Year:

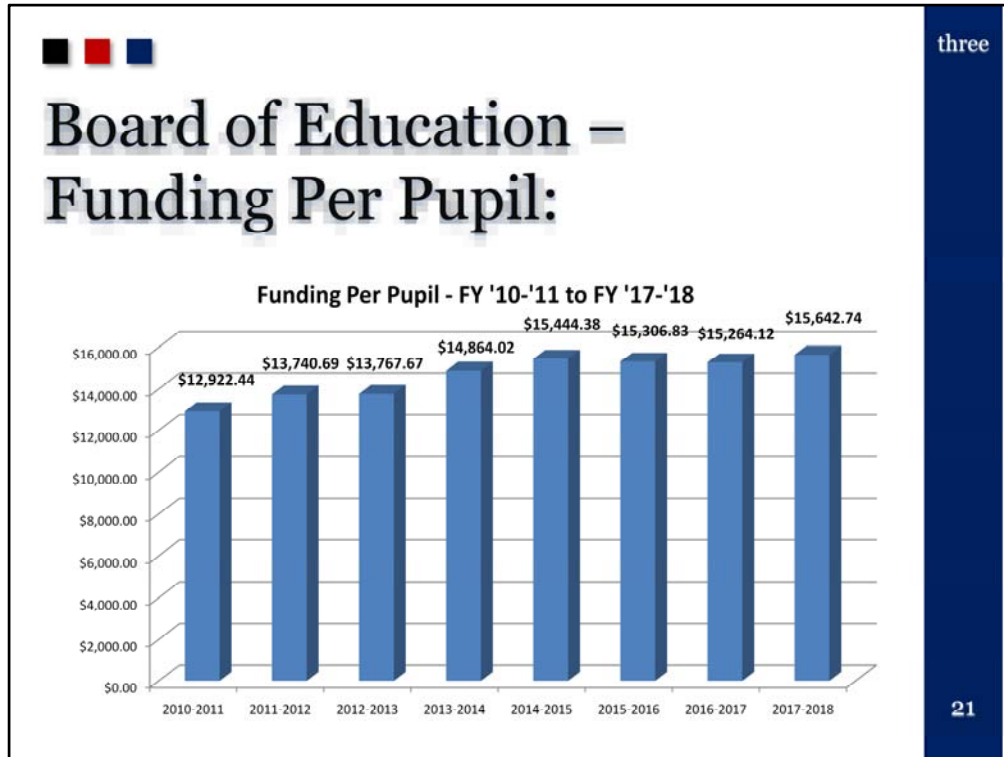
School Year	+/- by \$	+/- by %	Mayor
2012-2013	\$500,000	1.13%	Maturo
2013-2014	\$416,357	.92%	Maturo
2014-2015	\$1.2 million	2.65%	Maturo
2015-2016	\$750,000	1.62%	Maturo
2016-2017	\$250,000	.50%	Maturo
2017-2018	\$300,000 (+\$1.1 million in new ECS funds)	.63%	Maturo

19. Since 2011 alone, my administration has appropriated over \$3.1 million dollars in new funding for the Board of Education. This year, the State is proposing to revise the formula under which ECS funding is distributed by the State. As a result, between the \$1.1 million in new funding from the State and an additional \$300,000 to be allocated by the Town, the Board of Education is currently slated to see a \$1.4 million dollar increase in funding in the 2017-2018 budget.



20. As you can see, enrollment in our school system has been steadily decreasing for the past 8 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. As of February of 2017, our enrollment stood at 3,050.

In light of this, the total increase in funding of \$1.4 million dollars should greatly aid the Board in improving curriculum and the overall educational experience for our students.



21. As you can see, as a result of the proposed increase in education funding, we will be allocating \$15,640 dollars per student in the next fiscal year – approximately \$2,700 more than was allocated in the 2010-2011 budget and almost \$400.00 more per pupil than in last year's budget.

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 championships 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?

22. 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 2016-2017 FY, the mill rate was set at 31.55.

The Result:

- Over 5,900 of the +/-8,600 homes in Town continued to pay \$374 less (on average) in taxes than they were paying prior to 2011.

23. In the last fiscal year, the mill rate was set at 31.55. As a result, over 5,900 of the 8,600 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

Lenox St., East Haven – 1,346 Sq. Feet,
3 Bedrooms, 2 Bath



Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012	\$152,120	26.59	\$4,045	-	-
2016-2017	\$117,437	31.55	\$3,705	\$340.00	8.4%

In the 2016-2017 FY, this taxpayer continued to pay \$340 less in taxes than he or she was paying under the prior administration.

24. For example, the owner of this property – a 3 bedroom, 2 bath cape located on Lenox Street paid \$340 dollars less than he or she was paying prior to my resuming office in 2011.



Mill Rate Proposal - Another NO TAX INCREASE BUDGET

The Result:

- Over 5,975 of the +/-8,600 homes in Town will continue to pay \$579 less (on average) in taxes than they were paying prior to 2011.

25. In the upcoming fiscal year, I am proposing another **NO TAX INCREASE BUDGET**. By keeping the mill rate the same, and as a result of the recently completed revaluation, over 5,900 of the 8,600 homes in Town will continue to pay **\$579 dollars less (on average)** in taxes than they were paying prior to my resuming office in 2011.



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2016-2017	\$117,437	31.55	\$3,705	\$340.00	8.4%
2017-2018	\$107,642	31.55	\$3,396	\$649.00	16.1%

In the 2017-2018 FY, this taxpayer will pay \$649 less (or 16.1% less) in taxes than he or she was paying under the prior administration.

26. For example, the owner of the 3 bedroom, 2 bath cape located on Lenox Street that I just discussed will now pay \$649 dollars less than he or she was paying prior to my resuming office in 2011 (\$359.00 than he or she paid last year alone).



Example Property #2

Cosey Beach Ave., East Haven = 1,680 Sq.
Feet, 3 Bedrooms, 2 Bath (Waterfront)



Year	Value	Mill Rate	Taxes	\$ +/- from '11-'12	% +/- from '11-'12
2011-2012	\$380,800	26.59	\$10,125	-	-
2017-2018	\$300,078	31.55	\$9,467	\$658.00	6.5%

In the 2017-2018 FY, this taxpayer will pay \$658 less (or 16.1% less) in taxes than he or she was paying under the prior administration.

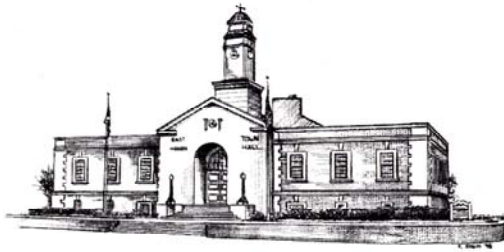
27. Under my proposed budget, even the owner of this 3 bedroom, 2 bath beachfront home located on Cosey Beach Ave. will now pay \$658 dollars less than he or she was paying prior to my resuming office in 2011.



Budget Review– Overall

- **No Change** in the Mill Rate;
- \$1.4 million dollars in new funding for the BOE (\$300,000 from the TOEH);
- \$100,000 dollars to continue to restore the Town's rainy day fund;
- \$1.2 million dollars in savings on long-term debt payments;
- Increased funding for Police, Fire, and Public Safety.

28. Just to summarize - My proposed budget provides for **no change in the mill rate**. It provides for \$1.4 million dollars in new funding for the Board of Education and \$100,000 dollars to continue to stabilize the rainy day fund. This budget also provides vital funding for our Police, Fire, and Public Safety Departments so that they can continue to protect and serve our residents.



**Town of East Haven
Mayor Joseph Maturo, Jr.**

**2017-2018 Fiscal Year
Budget Presentation**

March 28, 2017 – 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.