

# CITIZENS' GUIDE

## to the East Hampton Town Budget

2012 –  
2013



### MESSAGE FROM THE BOARD OF FINANCE

We have prepared this guide as a way to inform and engage voters in the budget process. **Your input and understanding is extremely important.** This document is meant to provide the information you need to know to review the budget.

**All voters have a stake in this process.** Your tax dollars go into the budget, and public input on how money is spent is vital. This brochure will help you navigate the Town budget process and provide timelines and meeting information for you to stay informed. We encourage all voters to voice your ideas and concerns regarding your taxes and the services they pay for.

Creating a budget that maintains important town services, provides a good education for our children and doesn't raise taxes to unacceptably high levels is not an easy task. **Citizen input is essential to help us put forward a budget that will be accepted by voters.**

You don't need a background in accounting or a degree in public policy to understand the budget. You do need to have enough interest in East Hampton's future to come out and voice your concerns, needs and opinions.

**Please participate with us in this important process.** Attend meetings, send a note or email and most importantly make your voice heard by voting.

- |  |   |
|--|---|
| <b>Matthew Walton, Chairman</b><br>mwalton@easthamptonct.org | <b>Tim Csere, Vice Chairman</b><br>tcsere@easthamptonct.org |
| <b>Patience Anderson</b><br>panderson@easthamptonct.org      | <b>Mary Ann Dostaler</b><br>mdostaler@easthamptonct.org     |
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### EAST HAMPTON BY THE NUMBERS

Population (2010) .....	13,000
Registered voters .....	8,245
Median household income.....	\$78,135
Households .....	4,734
Miles of Town Roads.....	91
School Enrollment.....	1,958
Number of town employees.....	63.5
Number of BOE employees .....	318
2011 Revenues.....	\$38,772,083
2011 Expenditures .....	\$38,504,836
2011 Fund Balance .....	\$4,350,654
2011 Outstanding Debt .....	\$7,413,182
% of Debt Service to Expenditures (2011).....	4.3%
% Fund Balance to Budget.....	11.3%
Per capita debt.....	\$542
Rank among CT towns for per capita debt.....	28 <sup>th</sup> out of 169

### UNDERSTANDING THE BUDGET

Each year the Town of East Hampton spends millions of dollars to operate Town Government and the Board of Education as well as perform necessary capital projects. During the budget process critical decisions are made about all public services.

The annual budget is a dynamic document that has four primary functions:

- **A policy document** that sets priorities
- **A financial plan** of resources & spending
- **A communications device** that informs about fiscal issues
- **An operations guide** that describes town services & functions

In East Hampton, the method we use to determine our town budget is an open process. **Every adult citizen who is registered to vote – property owners and those who rent – is welcome to participate in determining the town budget.**

The town budget is broken down into two categories:

Revenues (Income)	Expenses (Spending)
Property Taxes	Education
Investment Income	Public Safety
Licenses, Fees & Permits	Public Works
Federal Grants	Administrative & Finance
State & Local Grants	Health & Human Services
Local Government Payments	Regulatory
	Culture & Recreation
	Debt Service

There are certain expenses that must be included in the budget at some level. For instance, we must have police service and schools. The question is the level of service delivery that our residents have a right to expect. There are other "fixed" costs in the town's budget that continue to rise, such as fuel and energy that must be paid for. Balancing the budget is about making choices.

**East Hampton has worked hard to keep tax increases low. Below is the annual tax increase (not including revaluation). On average over the past 5 years East Hampton's tax increase has been just 2.04%; inflation over the same period was approximately 2.3%.**

2008 – 3.65%	2011 – 4.04%
2009 – 2.19%	2012 – -0.50%
2010 – 0.84%	

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### THE BUDGET PROCESS

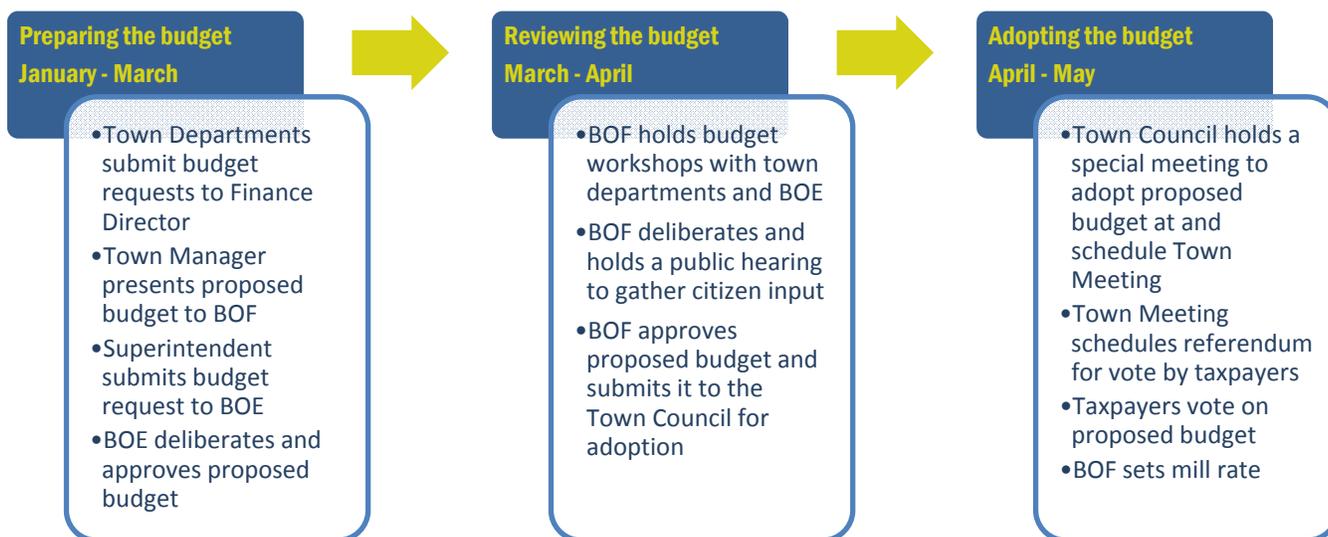
Developing the budget begins with the Town Manager and Finance Director working with town staff to review program and services to estimate how much it will cost to operate the town in the 12 months beginning July 1. As part of this they consider how much money will be needed to maintain and/or enhance services that residents and businesses receive. Meanwhile the Board of Education works with the Superintendent and administrative staff to develop a proposed budget for the East Hampton School District.

The Finance Director estimates the revenue the town can expect to receive from property taxes, Federal and state grants, town agencies that collect fees and from interest and other income. The budget process, which includes tri-board meetings, workshops and public hearings, is an effort to balance how much is needed to operate the town with how much the town can afford to spend.

After the Town Manager and the Board of Education prepare their budgets, they are presented to the Board of Finance. This is done through a series of budget workshops. These are public meetings and residents are encouraged to attend. The Board of Finance discusses and deliberates on the proposed budget and also holds a public hearing to gather citizen input. After considering all input, the Board of Finance recommends its proposed budget to Town Council.

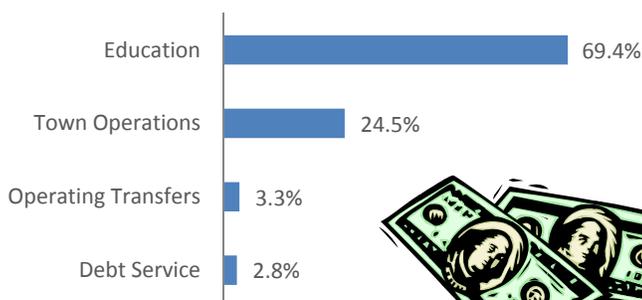
Town Council, upon receiving a recommended budget from the Board of Finance, can decrease total expenditures, reallocate budgets between departments, or send the budget back to the Board of Finance for further consideration. In no case can the Town Council increase the proposed budget.

After the Town Council approves the proposed budget, a town meeting is held to schedule a referendum for a vote by taxpayers. Upon adoption of the budget, the Board of Finance holds a special meeting to set the mill rate.



### 2012 APPROVED BUDGET

#### WHERE YOUR TAX DOLLARS ARE SPENT



### THE MILL RATE: Calculating your taxes

One "mill" produces one dollar for each \$1,000 of property assessment. For example: If your house has a current fair market value of \$200,000. (The assessment" is 70% of its current market value: \$140,000) The current Mill Rate is 25.68. Therefore 140 X 25.68 = \$3,595 in tax.

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### THE CAPITAL IMPROVEMENT PLAN

The budget adopted by taxpayers at referendum is the annual **Operating, Debt Service and Transfer Budget** for the town. As part of the annual budget process, the Town Manager and Finance Director also prepare a Capital Budget as part of the Capital Improvement Plan (CIP).

Each year the town allocates funds to the Capital and Non-Recurring Expenditures Fund to defray costs of items such as equipment, vehicles and facilities improvements that may be financed over more than one year. The CIP provides an effective means of preserving as well as adding to the physical assets of the town. It is also vital for a growing community like East Hampton to maintain the level of public safety, welfare and quality of life that taxpayers expect.



During the fiscal year, the Town Manager will request the Board of Finance to approve appropriations for capital items. These appropriations are considered and implemented consistent with the CIP, the town Purchasing Ordinance and Town Charter.



### THE TOWN'S 'HOUSEHOLD' BUDGET

Your Household	→	The Town
Income	→	Revenue
Mortgage or rent	→	Debt service
Taxes	→	Mandates, required services
Savings account	→	Fund balance, reserves
Utilities, food, gas	→	Utilities, gas, salaries, benefits
Maintenance projects	→	Capital Improvement Plan (CIP)
Phone, Cable, Internet	→	Technology, replacement equipment
"Nice-to-have" items	→	"Nice-to-have" items
Loans	→	Bonds

### FINANCIAL POSITION

The 2011 annual audit of the town's finances showed that East Hampton is well positioned to accept and meet the challenges posed by the 21<sup>st</sup> century. The Town continues to maintain its "AA" rating from Standard & Poor's Ratings Services and "Aa3" rating from Moody's Investor Service based on their assessment of the town's historical trend of financial stability and continued maintenance of a favorable debt profile. The town's total outstanding debt decreased by **16.3%** during the 2010-2011 fiscal year thanks to scheduled debt service payments.

### GRAND LIST

The October 1, 2011 East Hampton Grand List is \$1,127,814,297 (subject to adjustment by the Board of Assessment Appeals). It grew by approximately \$13 million or 1.17% over the prior year. The Grand List is made up of 89% real estate, 9% motor vehicles and 2% personal property.

### BUDGET REFERENDUM HISTORY

The cost of holding a budget referendum is approximately \$3,000. If a budget fails at referendum, it is sent back to the Board of Finance for reconsideration. This process is repeated until the budget is approved by voters at referendum. **The average voter turnout over the past 12 budget referendums is 23%; a majority 77% of voters did not participate in the budget process.**

Fiscal Year	# of Referendums	Total Voters	% Voting	Margin
2006-07	5	1,504	22%	-270
		2,341	34%	-753
		1,943	28%	-305
		1,788	26%	-394
		1,886	27%	226
2007-08	1	1,716	22%	266
2008-09	1	1,240	16%	22
2009-10	2	1,446	17%	-104
		1,974	23%	78
2010-11	1	1,807	22%	87
2011-12	2	1,166	14%	-4
		1,917	24%	341

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## BUDGET CALENDAR IMPORTANT DATES 2012



- March 9 ..... Town Manager submits proposed budget to the Board of Finance
- March 9 ..... **MEETING\*** 1-4pm @ Town Hall  
Board of Finance budget workshop with Town Departments
- March 9 ..... **MEETING\*** 5pm @ Town Hall  
Board of Finance budget workshop with the Board of Education
- March 20 ..... **MEETING\*** 7:30pm @ High School Library  
Board of Finance special meeting with invitation to Town Council and BOE
- March 26 ..... **MEETING\*** 7pm @ Middle School Library  
Board of Finance special meeting for budget deliberations
- April 2 ..... **MEETING\*** 7pm @ High School Library  
Board of Finance public hearing
- April 4 ..... **MEETING\*** 7pm @ Middle School Library  
Board of Finance approves budget
- April 10 ..... Board of Finance submits proposed budget to Town Council
- TBD ..... **MEETING\*** 6:30pm @ High School Library  
Town Council Special Meeting to adopt budget
- April 30 ..... **TOWN MEETING** 7pm @ Town Hall  
Schedule referendum
- May 8 ..... **REFERENDUM** 6am-8pm @ High School  
Town vote
- June ..... Board of Finance sets mill rate

*\*Meeting agenda to include public comments.*

## IMPORTANT TERMS

**APPROPRIATION:** An authorization made by the Board of Finance and approved by the Town Council that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

**BOND:** A written promise to pay a specified sum of money (called the face value or principal amount), at a specified date or dates in the future, i.e. maturity date(s), together with periodic interest at a specified rate.

**CAPITAL ASSET:** Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

**CONTINGENCY:** A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted for. When required, funding transfers to departmental function areas are approved by the Board of Finance and Town Council.

**DEBT SERVICE:** Payment of interest and repayment of principal on debt that the Town has issued, typically for large capital projects.

**FTE:** Full-time equivalent; the equivalent of one full-time employee.

**FUND BALANCE:** The difference between assets and liabilities in a governmental fund at a particular point in time (such as the end of the fiscal year). A negative fund balance is sometimes referred to as a fund deficit. Can be considered the Town's reserves or "rainy day" fund.

**GENERAL FUND:** The fund that accounts for most municipal operations, including education, police, public works, human services, general government, recreation, library services, and most debt service.

**GRAND LIST:** The property tax base as determined by a valuation of real estate and certain personal property by the Town Assessor for the purpose of levying property taxes.

**MILL RATE:** The property tax rate that is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of property valuation.

**RESERVE:** An account which records a portion of fund balance which is legally segregated for some future use and which is, therefore, not available for further appropriation or expenditure.

**REVALUATION:** To establish the present true and actual value of all real property in a town as of a specific assessment date.

**REVENUE:** Additions to assets, which do not increase any liability, do not represent the recovery of expenditures, and do not represent contributions of fund capital.

**SURPLUS:** The amount by which revenues exceed expenditures in a given year.

Want more information? The past two year's approved budgets and the past 5 years' audited Comprehensive Annual Financial Reports (CAFR) are available on the Town website:

**WWW.EASTHAMPTONCT.GOV**