

CITIZENS' GUIDE

to the East Hampton Budget 2015-16



Your Town, Your Money, Your Vote.

Understanding the Budget

The annual budget is a comprehensive document. It presents both projected revenue estimates and anticipated expenses necessary to provide services to our citizens. It is a dynamic document meaning that it is always changing based on day-to-day realities.

The most important thing to understand about the annual budget is that it is required by our Town Charter. The town is obligated to provide services and pay its debts. Not approving the budget is not an option. It is the responsibility of taxpayers to carefully consider the budget presented and cast an informed vote at the annual budget referendum until an approved budget is passed.

Broadly, the annual budget is made up of these components:

Revenues (Income)	Expenses (Spending)
<ul style="list-style-type: none">•Property Taxes•State & Local Grants•Federal Grants•Licenses, Fees & Permits•Local Government Payments•Investment Income	<ul style="list-style-type: none">•Education•Public Safety•Public Works•Culture & Recreation•Health & Human Services•Regulatory•Administrative & Finance•Debt Service

The goal is to provide the highest level of service while putting funds aside for future needs. The biggest challenge in preparing the budget is to stretch every dollar while adequately providing essential services that are necessary to us all.

Some may believe they don't get anything for the property taxes they pay. That may be short sighted when we examine the number one priority driving town services - **our safety!**

Nearly every budget dollar approved can be tied back to public safety.

Most obvious are Police, Fire and Emergency response, but simple tasks such as mowing roadsides and filling potholes prevent

Message from the Board of Finance

Thank you for taking an active interest in the annual town budget. We have prepared this guide to give voters facts about our financial position and information to understand this complex document and the budget process.

Creating a budget that maintains important town services, provides a good education for our children and is mindful of the tax impact on our citizens is not an easy task. Citizen input is essential to help us put forward a balanced budget that will be accepted by voters.

All voters have a stake in the process. We're spending your tax dollars. How it is spent shapes our community.

You don't need a background in accounting or a degree in public policy to understand the annual budget. You do need to care enough about East Hampton's future to come out, voice your opinions, and most importantly **VOTE**.

Please participate with us in this important process. The proposed Town and School budgets are on the town web site home page. Copies also are available at Town Hall, the library and senior center.

Ted Turner, Chairman
Mary Ann Dostaler
Marc Lambert
Lori Wilcox

Dean Markham, Vice Chairman
Alan Hurst
Dave Monighetti

accidents and unnecessary damages to our vehicles, or worse, collisions with pedestrians. Providing a safe and sound facility to educate our children to their highest potential also is foremost on this list. Zoning oversight, inspection of new construction and compliance with building and fire codes by our Building Officials, Fire Marshal or Health Officials prevent untold devastation.

Improving our Quality of Life is another priority. Unfortunately leisure services (as they might be referred), are often the first to be cut from the budget. However, enriching our community, maintaining our parks, senior center and public library, all provide the services that make our community a desirable place to live.

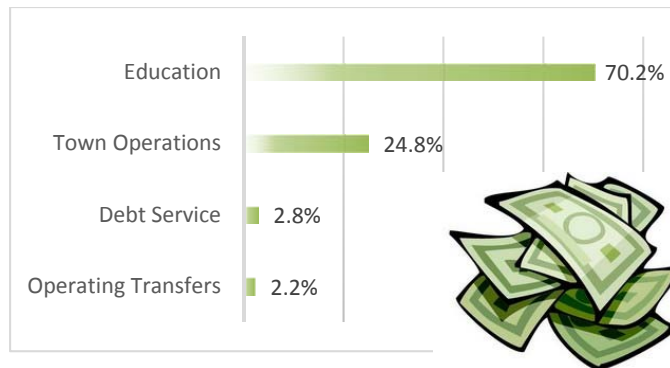
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2014-15 Approved Budget

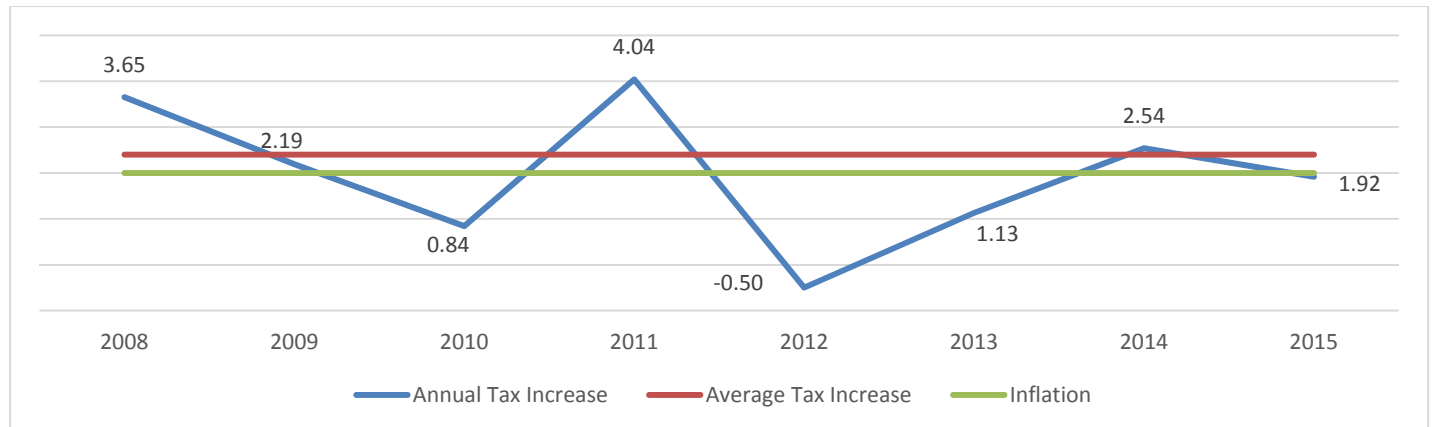
Where your tax dollars are spent



SAVE THE DATE! The budget referendum will be held on May 5th. Due to construction at the High School, the voting location will be at East Hampton Middle School. Voting hours will be from 6am to 8pm. PLEASE MAKE NOTE OF THIS IMPORTANT CHANGE IN LOCATION!



East Hampton has worked hard over the years to keep tax increases low. Below is the annual tax increase (not including revaluation). On average over the past eight years East Hampton's tax increase has been 2.4%; inflation over the same period was approximately 2.0%. The goal of good budgeting is to maintain a level increase that is predictable for taxpayers and avoid dramatic year-to-year swings.



Our Grand List, the Mill Rate and Calculating Your Taxes

The grand list is the current fair market valuation of all real estate, motor vehicles and certain personal business property by the Town's Assessor. Your taxes are assessed at 70% of appraised value (a procedure determined by Connecticut Statute). One mill produces one dollar of tax on each \$1,000 of assessed property.

The current mill rate as determined by the 2014-15 budget is 27.14.

The October 1, 2014 Grand List is \$1,143,169,752 (subject to adjustment by the Board of Assessment Appeals). It grew by approximately \$7.19 million or .63% over 2013.

If your house is valued at \$200,000, it would be assessed at 70% or \$140,000. Under the current rate is 27.14. Therefore, the calculation would be $140 \times 27.14 = \$3,803.80$ in tax.

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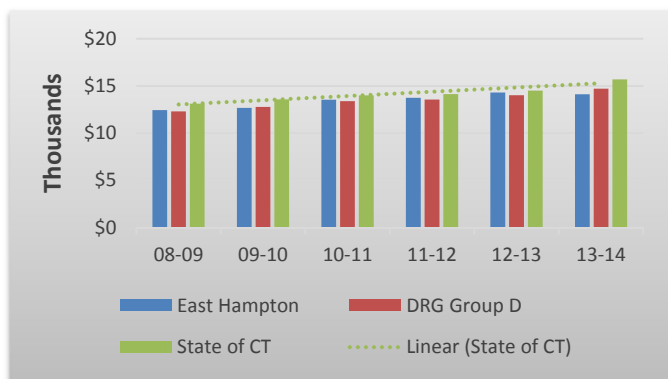
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Navigating the Budget

The budget adopted by taxpayers at referendum is broken down into four parts: **Education, Town Operations, Debt Service and Operating Transfers.**

Education is the biggest component. The return on investment (ROI) for education can be measured by high student achievement and the positive impact on property values. Per pupil spending has been consistently below the state average. Last year it was the lowest in our district reference group (DRG).



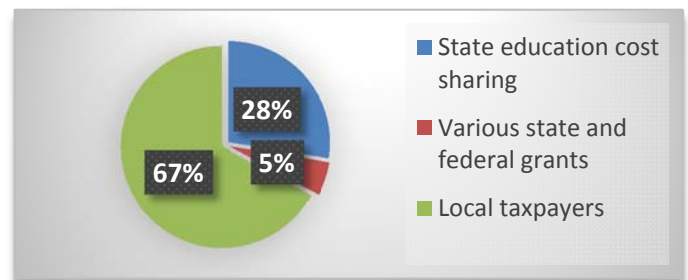
The State Department of Education assigns each town to a group based on socio-economic and other factors. There are 24 towns including East Hampton in Group D.

- | | | |
|-----------------|------------------|------------------|
| 1. Berlin | 9. East Lyme | 17. Shelton |
| 2. Bethel | 10. Ledyard | 18. Southington |
| 3. Branford | 11. Milford | 19. Stonington |
| 4. Clinton | 12. Newington | 20. Wallingford |
| 5. Colchester | 13. New Milford | 21. Waterford |
| 6. Cromwell | 14. North Haven | 22. Watertown |
| 7. East Granby | 15. Old Saybrook | 23. Wethersfield |
| 8. East Hampton | 16. Rocky Hill | 24. Windsor |

Return on Investment

- East Hampton High School is rated a top 100 CT High School and national ranked by *US News*
- SAT scores above National and State average
- Connecticut Magazine ranked East Hampton 9th to comparable towns

Funding for Education comes from several sources. East Hampton receives grants for our public schools from State and Federal government programs. This aid helps support public policy goals, priorities and mandates.



Education Operating Budget History

Each year the final budget is approved by voters. The Board of Education then works with the Superintendent to implement and manage the budget as efficiently as possible. At the end of each fiscal year, any surplus in the Education budget is returned to the Town.

	2010-11	2011-12	2012-13	2013-14	2014-15
Final Approved Budget	3.05%	1.29%	1.90%	3.07%	2.67%
Annual return to the Town	\$152,846	\$4,189	\$3,967	\$76,515	TBD

Board of Education Budget Goals

1. Support the vision and mission of the District
2. Recognize the economic climate and realize efficiencies
3. Provide levels of personnel, programs, infrastructure and services that advance the needs of the district
4. Address deepening critical thinking, advancing digital literacy, professional learning communities and secondary school reform
5. Address safety and security of our schools

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Town Operations represent about 25% of the total budget. It encompasses six departments/programs that deliver services to East Hampton taxpayers.

Administration & Finance. This includes town hall operations as well as facilities administration, legal services, registrars and elections, Probate Court, Information Technology, employee benefits and contingency.

Public Safety. This includes Police and Fire services, emergency preparedness, Fire Marshal and street lighting.

Health & Human Services. This includes public health services provided by Chatham Health District, the senior center and transportation, community services, cemetery care and the Commission on Aging.

Regulatory. This includes Planning & Zoning, building administration, Economic Development, Conservation & Lake Commission, Brownfields Redevelopment Agency and the Middle Haddam Historic District.

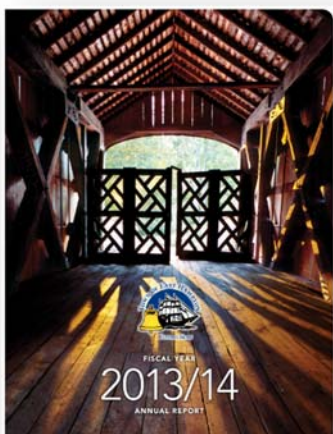
Public Works. This includes public works services and personnel, engineering, town garage, town-wide motor fuel, road materials, transfer station and septage disposal.

Culture & Recreation. This includes Parks & Recreation, Arts & Cultural Commission and East Hampton Public Library.

Town Annual Report

Each year, the Town Manager is required by charter to provide an annual report to the Town Council. The 2013-14 Report provides a detailed summary of the services provided by town staff for residents and taxpayers. From the Assessor to the Zoning Board of Appeals, the annual report quantifies the performance measures of each department. Copies of the Annual Report are available at the Library, Town Hall, Senior Center and web site at:

<http://www.easthamptonct.gov/pages/annualreport2013-14.pdf>



The Town's 'Household' Budget

Your Household	➔	The Town
Income	➔	Revenue
Mortgage or Rent	➔	Debt Service
Loans	➔	Bonds, Leases
Taxes	➔	Mandates, Required Services
Savings Account	➔	Fund Balance, Reserved Accounts
Utilities, Food, Gas	➔	Utilities, Gas, Salaries, Benefits
Maintain Projects	➔	Capital Improvement Plan
Phone, Cable, Internet	➔	Technology, Communications Equipment
Entertainment, Vacations	➔	"Nice-to-have" items

The Capital Improvement Plan

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 pay for the 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.



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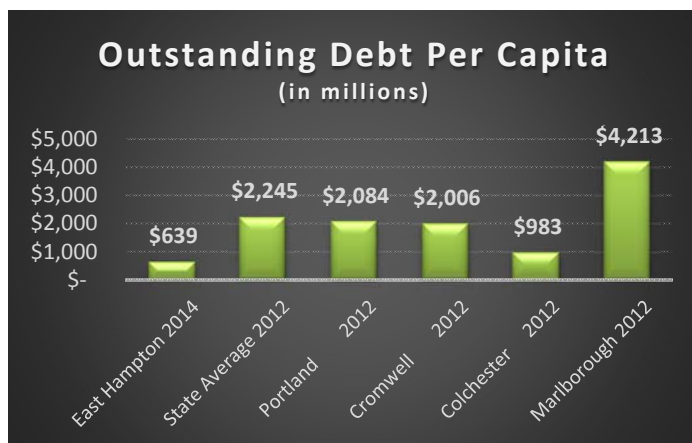
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Debt Service represents the amount of money set aside in the budget to pay interest and principal on debt that the Town has already approved and issued. Debt is a binding commitment, which makes it an extremely important and driving component of the overall budget.

The town's total outstanding debt is less today than it was in 2005 thanks to the fiscal discipline of scheduled debt service payments. It is also considerably lower than our neighboring towns.

Fiscal Year	Outstanding Debt	Outstanding Debt per Capita	Debt Service per Capita	% of Budget
2005	\$10,375,000	\$880	\$181	6.60%
2014	\$8,250,000	\$635	\$83	2.70%



Our Financial Position

Think of this as the Town's credit rating. The 2014 annual audit showed that East Hampton is well positioned to accept and meet the challenges to move the town forward. The Town continues to maintain its "AA+" rating from Standard & Poor's Ratings Services and "Aa3" rating from Moody's based on the town's historical trend of financial stability and continued maintenance of a favorable debt profile.

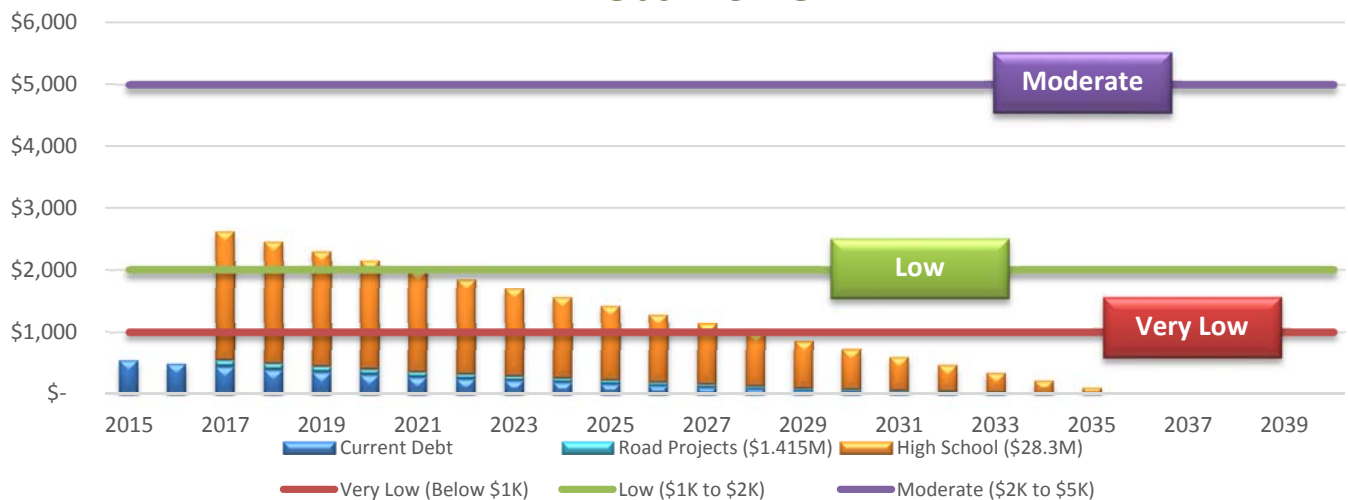
Key facts that support our favorable position:

- Strong property tax base and low debt burden
- Strong general fund balance with a surplus in 2013
- Solid funding of the pension obligation and limited other postemployment benefits (OPEB)
- Management's financial policies and practices

Debt Capacity

How much money can the town borrow? The amount the town can borrow is based on its current financial position. Major capital items may be financed over a period of years by issuing bonds. The Town's debt capacity is subject to borrowing limitations set forth by Connecticut General Statutes and by you, our taxpayers, to approve expenditures. The Town's current debt per capita is low compared to the State average and as determined by the rating agencies – even with the high school renovation project.

Debt Profile



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Operating Transfers represent the smallest percentage of the budget. This simply refers to the general accounting practice to move resources from one fund or account to another for anticipated expenses. For example, the 2014 budget included a transfer from the Village Center Water System fund to cover anticipated deficits. Money set aside for planned and approved capital items was transferred out of the Capital Reserve Fund.

The Budget Process

Each year, the budget process begins when the Town Council adopts a Budget Policy Statement. This document provides guidance to Town staff as they develop their budgets. It also helps the Board of Finance in reviewing proposed budgets.

TC=Town Council; BOE=Board of Education; BOF=Board of Finance

Planning January - February

- TC Budget Policy
- Departments present requests to Town Manager
- Superintendent presents request to BOE
- Town Manager develops Town Budget
- BOE reviews and adopts School budget

Review March - April

- Town Manager & Superintendent present budgets to BOF
- BOF workshops and public hearing
- BOF reviews budget, adopts and presents to TC
- TC reviews and adopts budget*
- Town Meeting sets date for referendum

Adopting the Budget May - June

- Budget referendum May 5th
- If budget passes, BOF sets mill rate
- If budget does not pass, it goes back to BOF

* TC, upon receiving a recommended budget from the BOF, 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 TC increase the proposed budget.

Budget Referendum History

Will you vote on the budget? We will work hard to present you a budget that maintains and improves our dedicated town staff and facilities, plans for the future and is fair to all taxpayers.

The average voter turnout for the past 9 budget referendums since 2010 is 21%. A majority 79% of voters did not exercise their right to vote. The cost of holding a budget referendum is approximately \$3,000. Last year required three referendums to pass the budget. The more informed people are about the budget and the more participation there is from the public in the budget process, the more likely it is to pass the budget on the referendum vote.

Fiscal Year	Referendums	Total Voters	% Voting	Margin
2010-11	1	1,807	22%	87
2011-12	1-Fail	1,166	14%	-4
	2-Pass	1,917	24%	341
2012-13	1-Fail	1,828	22%	-274
	2-Pass	1806	22%	182
2013-14	1	1789	22%	285
2014-15	1-Fail	2,019	24%	-341
	2-Fail	1,979	24%	-301
	3-Pass	1,951	23%	289



**THE BUDGET REFERENDUM
IS MAY 5TH**

**CELEBRATE
Cinco DE Mayo
BY Voting!!**

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Budget Calendar



- March 16 **BOF MEETING*** 6pm @
Middle School Library /
Town Manager and BOE
budget presentations
- March 17 **WORKSHOP** 6-8:30pm @
Town Hall / Public Works, Police, Building
Administration and Capital budgets
- March 19 **WORKSHOP** 6-8:30pm @ Town Hall Public / Fire,
Emergency Management, Economic Development,
Conservation Lake and Middle Haddam Library
- March 20 **WORKSHOP** 2-4pm @ Library Community Room /
Senior Center, Library, Youth & Family Services, and
Park & Recreation
- March 20 **WORKSHOP** 4-6pm @ Library Community Room /
Board of Education
- March 21 **WORKSHOP** 8:30-10:30am @ Town Hall / town
operations
- March 23 **BOF SPECIAL MEETING*** 6:30pm @ Middle School
Library / Board of Finance special meeting – budget
deliberations
- March 30 **BOF PUBLIC HEARING** 7pm @ Middle School Library
/ Board of Finance public hearing
- April 1 **BOF SPECIAL MEETING*** 6:30pm @ Middle School
Library / Board of Finance action to adopt budget
- April 7 **TOWN COUNCIL MEETING*** 6:30pm @ Town / BOF
adopted budget submitted to Town Council
- TBD **TOWN COUNCIL SPECIAL MEETING*** / action to
adopt annual budget
- April 27 **TOWN MEETING** 7pm @ Town Hall /
Schedule referendum
- May 5 REFERENDUM 6am-8pm @ Middle School**
Town vote
- June Board of Finance sets mill rate

**Meeting agenda to include public comments.*

Important Terms

TC=Town Council; **BOE**=Board of Education; **BOF**=Board of Finance

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.