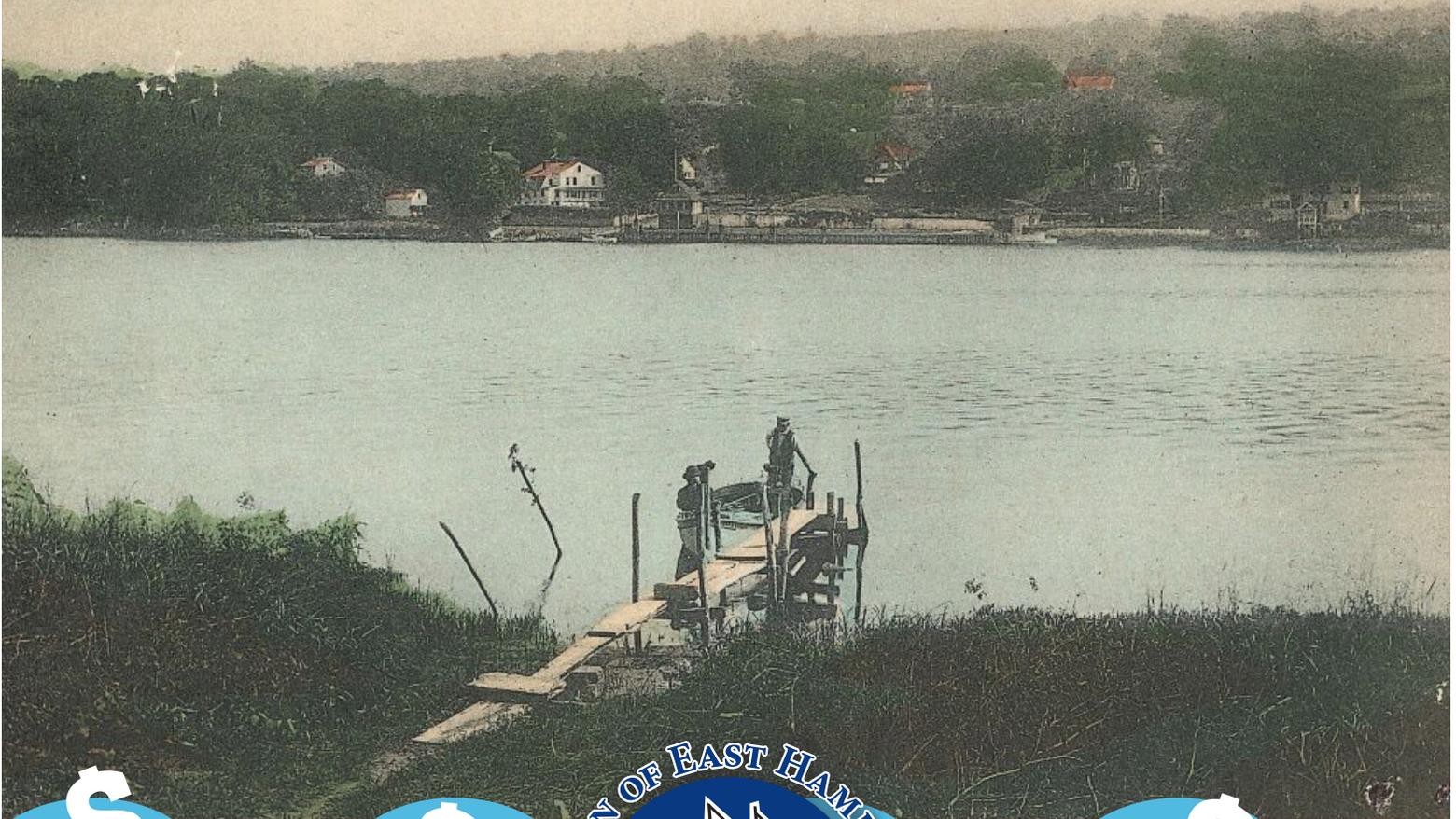


CITIZENS' GUIDE TO THE **BUDGET** 2017 - 2018

View of Middle Haddam from Maromas



\$

\$

\$



\$

\$

\$

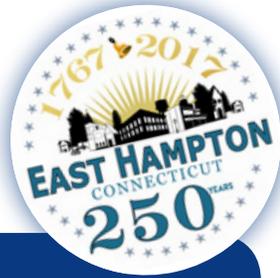
VOTE



**TUESDAY
JUNE 13**

**6AM - 8PM
East Hampton
Middle School**

Visit www.EastHamptonCT.gov for updates



GOAL
to provide the highest level of service while putting funds aside for future needs.

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.

It is important to remember, the annual budget 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:

A Message from the Board of Finance

Budget preparation for the fiscal year July 1, 2017 through June 30, 2018 is in progress and we have prepared this guide to give residents facts about our financial position and the budget process.

Public input is vital to this process and we hope that this guide will help voters stay informed. The proposed Town and School budgets are on the town web site home page. Copies also are available at the Town Hall, the library and senior center.

If you have additional questions or concerns, please contact your elected representatives or town officials (emails can be found on www.easthamptonct.gov).

Marc Lambert (R)
Chairperson

Janine Jiantonio (R)
Vice Chairperson

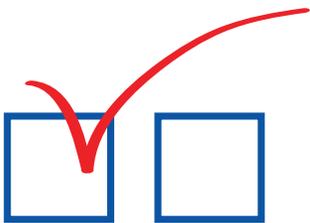
Alannah Coshow (R)
Alan Hurst (D)
Dean Markham (D)
Steve Ritchie (R)
Michael Rose (R)

REVENUES

IN

- ▶ Property Taxes
- ▶ State & Local Grants
- ▶ Federal Grants
- ▶ Licenses, Fees & Permits
- ▶ Local Government Payments
- ▶ Investment Income

Charter Revision Changes the Way Residents Will Vote on the Annual Budget



On November 8th residents overwhelmingly approved a revision to the Town's charter that provides for separate budget questions (bifurcation) for the Town and Education budgets. The following language was added to Section 4.1 of the charter;

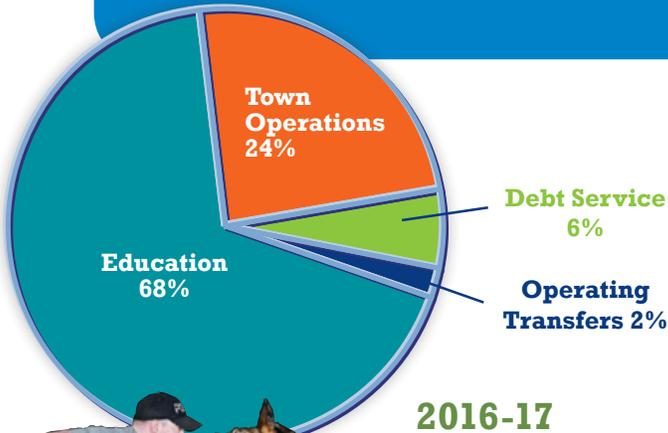
"The Annual Budget Meeting shall be convened to referendum, by machine or ballot vote. The call of the Annual Town Budget Meeting shall present as separate resolutions, the Town Government Budget and the Board of Education Budget to be voted upon in referendum. The Board of Finance shall receive from the Town Manager and the Board of Education their respective proposed budgets (the annual budget) by April 15th. The ballot questions shall provide for separate approval/disapproval of the Town Government Budget and the Board of Education Budget."

EXPENSES

OUT

- ▶ Education
- ▶ Public Safety
- ▶ Public Works
- ▶ Culture & Recreation
- ▶ Health & Human Services
- ▶ Regulatory
- ▶ Administrative & Finance
- ▶ Debt Service

The biggest challenge in preparing the budget is to stretch every dollar while adequately providing essential services that are necessary to us all.



2016-17 Approved Budget

Where your tax dollars are spent



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 ten years East Hampton's tax increase has been 2.8%; inflation over the same period was approximately 1.8%. 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 2016-17 budget is 29.44.

The October 1, 2016 Grand List is \$1,128,956,839 (subject to adjustment by the Board of Assessment Appeals).

The Grand List increased by .049% as a result of property revaluation.

If your house is valued at \$200,000, it would be assessed at 70% or \$140,000

Under the current rate of 29.44 your tax calculation would be $140 \times 29.44 = \$4,191.60$.



Budget and Tax % Change Last 5 Years



NAVIGATING THE BUDGET



20 AMERICA'S TOP HIGH SCHOOLS 16

The budget adopted by taxpayers at referendum is broken down into four parts:

1. Education - 68%
2. Town Operations - 24%
3. Debt Service - 6% and
4. Operating Transfers - 2%



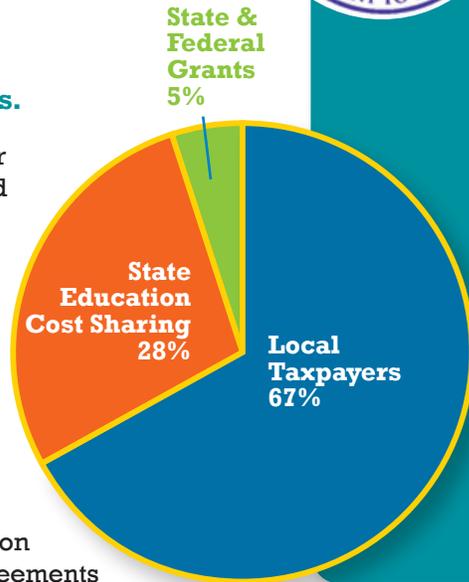
1. Education - 68%

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

The Board of Education and the Superintendent work together to implement and manage their budget. Over 85% of the education budget supports contractual agreements (salary and benefits) with teachers and staff. At the end of each fiscal year, any surplus in the education budget is returned to the town. Neither the BOE nor the TC can direct how the BOE spends the taxpayers money.



Achievements

- ▶ East Hampton High School has been recognized as one of America's Best High Schools by U.S. News and World Report as well being named to the College Board Advanced Placement Honor Roll.
- ▶ SAT scores are above the State and National average.
- ▶ Connecticut Magazine ranked an East Hampton education as fifth out of over 40 greater Hartford communities in a feature "Ranking the Towns."
- ▶ High School athletic teams are competitive and have several state championship titles.

Board of Education Budget Goals

1. Support the vision of preparing students to be innovative, responsible, and contributing members of an ever-changing global society.
2. Foster resourcefulness to maximize value for students and the community by encouraging flexibility and sustainable solutions.
3. Teach students to be effective communicators, critical thinkers, and collaborators through exposure to diverse areas of study.
4. Advance digital literacy throughout the grade levels, cultivate active learning and encourage creativity.
5. Address safety and security of our schools.



	2011-12	2012-13	2013-14	2014-15	2015-16
Final Approved Budget	1.29%	1.90%	3.07%	2.67%	1.81%
Annual Return to the Town	\$4,189	\$3,967	\$76,515	\$113,641	\$19,057

2. TOWN OPERATIONS 24%

Represent 24% 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) and maintenance, transfer station and septage disposal.

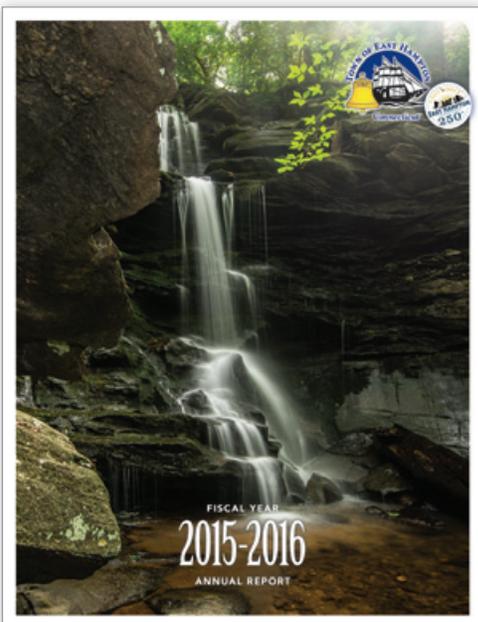
Culture & Recreation

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 2015-16 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/2015-16annualreport.pdf>



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.

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

3. DEBT SERVICE 6%

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.

Fiscal Year	Outstanding Debt	Outstanding Debt per Capita	Debt Service per Capita	% of Budget
2014	\$8,250,000	\$639	\$83	2.70%
2015	\$23,625,000	\$1,835	\$100	3.23%
2016	\$32,715,000	\$2,541	\$74	2.31%
2017	\$33,010,000	\$2,567	\$196	6.38%

Note: Outstanding debt includes general obligation bonds and notes. Debt service payments for the High School project begin in FY 2017.



Our Financial Position

Think of it as the Town's credit rating. The 2016 annual audit showed that East Hampton is well positioned to accept and meet the challenges to move the town forward. The received a "AAA" bond rating from Standard and Poor's Rating Services.

"The upgrade reflects the town's record of general fund surpluses that we believe demonstrates financial stability and supports our view of strong management," said Standard & Poor's credit analyst Hilary Sutton.

Key Factors in the Rating Upgrade

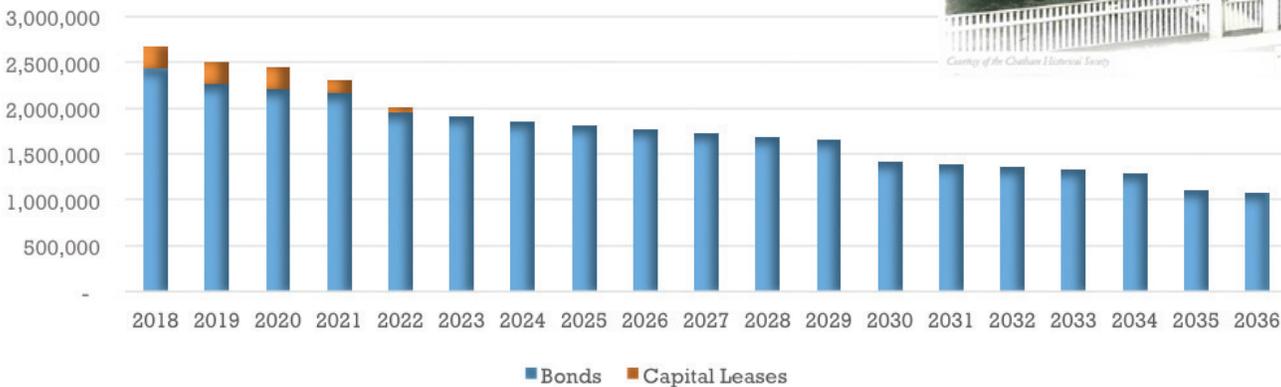
- ▶ Very strong economy
- ▶ Strong management, with "good" financial policies and practices
- ▶ Strong budgetary performance, with balanced operating results in the general fund but an operating surplus at the total governmental fund level in fiscal 2014
- ▶ Strong budgetary flexibility
- ▶ Very strong liquidity
- ▶ Strong debt and contingent liability position
- ▶ View the Comprehensive Annual Financial Report online at: http://www.easthamptonct.gov/Pages/EastHamptonCT_Finance/audit2016.pdf

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 Payments Bonds & Capital Leases



4. OPERATING TRANSFERS 2%

This simply refers to the general accounting practice to move resources from one fund or account to another for anticipated expenses. The single largest item in this category is for money transferred to the Capital Reserve fund for planned and approved capital items.

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.

PLANNING

January - February

- ▶ 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

REVIEW

March - April

- ▶ Budget referendum June 13
- ▶ If budget passes, BOF sets mill rate
- ▶ If budget does not pass, it goes back to BOF

ADOPTING THE BUDGET

The Budget Referendum is June 13

Visit www.EastHamptonCT.gov for updates

TC=Town Council; BOE=Board of Education;
BOF=Board of Finance; TBD=To Be Determined

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 14 budget referendums since 2011 is 24%.

A majority of voters did not exercise their right to vote. The cost of holding a budget referendum is approximately \$3,000. As you can see from the margins by which a budget passed or failed every vote counts. Make an informed decision and vote on referendum day.

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	1,806	22%	182
2013-14	1	1,789	22%	285
2014-15	1-Fail	2,019	24%	-341
	2-Fail	1,979	24%	-301
	3-Pass	1,951	23%	289
2015-16	1 - Fail	2,273	30%	-39
	2 - Fail	2,193	29%	-11
	3 - Fail	2,306	30%	-154
	4 - Pass	1,954	26%	218
2016-17	1	2,128	28%	436

VOTE

TUESDAY JUNE 13

6AM - 8PM

East Hampton Middle School

Visit www.EastHamptonCT.gov

* 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.

2017-2018 Budget Calendar

March 13, 2017 (Mon.) **BOARD OF FINANCE
SPECIAL MEETING**
6:00PM
Middle School Library
**Town and Board of Education
Budget Presentation**
(Review deliberations and
gather input from public and
other boards)

March 15, 2017 (Wed.) **BUDGET WORKSHOP**
6:00 - 8:00PM
Town

March 16, 2017 (Thur.) **BUDGET WORKSHOP**
6:00 - 8:30PM
Town

March 17, 2017 (Fri.) * **BUDGET WORKSHOP**
4:00 - 6:00PM
Board of Education

March 18, 2016 (Sat.) **BUDGET WORKSHOP**
8:30 - 10:30AM
Town

March 20, 2016 (Sat.) **March 27, 2017** (Mon.)
6:30PM **BOARD OF FINANCE
REGULAR MEETING**
Middle School Library Budget deliberations

*Location: Public Library, Community Room

March 27, 2017 (Mon.) **BOARD OF FINANCE
SPECIAL MEETING**
6:30PM
Middle School Library Budget deliberations

April 3, 2017 (Mon.) **BOARD OF FINANCE
PUBLIC HEARING**
6:30PM
Middle School Library

April 10, 2017 (Mon.) **BOARD OF FINANCE
SPECIAL MEETING**
6:30PM
Middle School Library

April 11, 2017 (Tues.) **SUBMIT BOARD OF
FINANCE BUDGET** to
Members of Town Council (TC)

April 23, 2017 **TC REGULAR MEETING**
6:30PM
Adoption of Annual Budget

June 5 (Mon.) **TOWN MEETING**
7:00PM *Town Hall*

Referendum June 13 **Town VOTE at
Middle School**
6:00AM – 8:00PM

TBD **SET MILL RATE**

TBD=To Be Determined

Note: All meetings to be held in the
Town Hall meeting room except as noted above.

For more information call 860-267-4468.

**The Town Council and Board of Education are
invited and encouraged to attend all meetings.**

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.

CAPITAL RESERVE FUND: A fund that is used to account for costs associated with the town's five year capital improvement plan. The fund receives annual operating transfers from the General Fund to finance projects.

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.

OPERATING TRANSFERS: The transfer of cash into or out of one fund to another.

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.

SINKING FUND: An account used to accumulate money for future purchases.

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