

Town of East Greenwich

125 Main Street
P.O. Box 111
East Greenwich, RI 02818-0111

April 1, 2010

The Honorable Town Council
Town Hall
125 Main Street
East Greenwich, RI 02818

Dear Councilors:

Submitted herewith is the proposed FY-2011 budget for the Town of East Greenwich. In accord with the requirements of the Home Rule Charter, the Town Manager in his recommended budget is to deliver a budget message describing the important features of the budget. The budget totals \$45,097,135, up .77% and is predicated on a tax rate of \$17.42 per thousand dollars of valuation for a tax rate increase of 4.7% but only resulting in an increase of tax dollars (the levy) of 4.3%. The tax rate is higher than we have averaged as a result of increased debt service for the school fields project and the Swift Community Center. The controlling factor is the tax levy cap known as SB3050 which limits cities and towns to no more than a 4.50% increase in taxes for FY-11. It is not necessary to seek an exemption for the proposed debt service.

Further complicating the budget is the anticipated loss of \$1.3 million in motor vehicle excise tax reimbursement and the amount of state aid to education available. The budget utilizes the Governor's projection which is a decrease from existing levels. The alternative is that the State adopts an educational funding formula which will increase the amount of aid to education.

In balancing the budget, which should still be considered a work in progress, several other factors came into play most significantly.

- The School Department was able to level fund its budget to fiscal year 2010 levels. While the Council and staff asked the School Committee to do more to help the taxpayer, the Committee was prevented by maintenance of effort (state statute). Upon further investigation of the statute, there is a reduction in students per the Rhode Island Department of Education (RIDE) and the State statutes allows for a reduction under these circumstances. I have deducted \$300,000 from the budget, however Council and School Committee should consider the appropriateness of this number. It is, however, lower than what the allowable maintenance of effort reduction amount has been calculated at. It should be noted that even with the reduction, the amount of taxes allocated to the School department has increased by \$371,171.
- Funds anticipated from a Town agreement with New England Institute of Technology (NEIT) have also been included in the revenue stream.
- Reductions in Town staff in the areas of public safety and public works have lowered the number of Town employees.
- Capital outlay has also been significantly reduced to where the budget is primarily status quo.

In terms of revenues or reduction in expenses that should be explored are the agency requests in the Town budget and further staff reductions. The Town budget is 4.39% less than last year's budget for a reduction of \$532,120.

Not included in the budget is a salary increase for the non-union personnel from the Town Manager on down. This is the second year no increase is granted, only step increases have been budgeted for three eligible individuals out of 100 employees. As Council moves forward we should determine if other bargaining groups should be approached to not implement a previously agreed upon pay increase. If they agree it will be the second year of no increases for our employees as well.

It should be noted that the entire school budget is not part of the Town's budget, only the tax allocation transfer. This action is required by the State to leave School Department revenues on its books, not the Town's. The budget for fiscal year 2010 is shown in the new format for comparative purposes. In reviewing the school expenditures, other areas to monitor include the bid on health insurance, the bid on the school custodians and the number of retirees vs. what the replacement salaries are budgeted at. Further investigation should also be made of reports by the School Finance Committee of other areas of significant savings in the School Department's budget.

The debt service budget which is the expense for principal and interest on our bonds is up 17.88%. The increase is due to the School Field Project \$6,000,000 and the Swift Community Center, \$3,050,000.

There is no way to lower this budget.

The budget does not reflect the \$33,000,000 in School Improvement Bond Anticipation Notes (BANS) that are outstanding as these are being rolled over and the interest capitalized. The final amount to be borrowed should be known next year and the principal and/or interest will be an increase to the fiscal year 2012 budget. The project is currently under budget by \$8,000,000. If that amount of borrowing is not used we can save \$10.9 to \$16.1 million depending on the term of the bonds.

There are several core values upon which the budget was developed; given the difficult economy we are experiencing.

- The first value is our business is service to the public. The public expects schools to be funded, streets to be swept, trash and recyclables to be collected, police to respond quickly, snow to be plowed, etc. and services in general to be delivered efficiently and effectively. We will get the basics right. Given our loss of local and state revenues, basic services to the citizens of East Greenwich is a priority. None of the reductions in place will affect basic public services.
- Secondly, the Town of East Greenwich and its employees are an ethical organization. The core value of respect for others in personal and Town activities is the goal.
- Lastly, financial stability is the rule. The Town's financial position as reported in the FY-08 audit was a wake up call. In FY-2009 we rebounded. We received an "unqualified opinion" as we have in the past and still maintain a double Aa bond rating. However, Town reserves were down for FY-08 and FY-09. We do expect Moody's to recalibrate all municipal ratings by the end of April 2010.

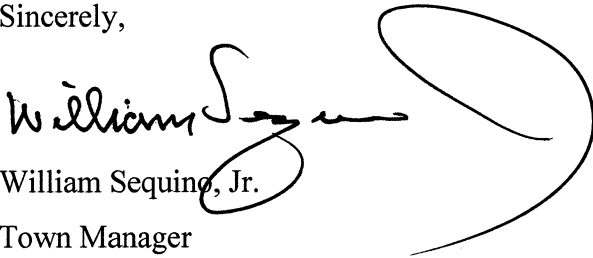
This year's budget is the forth submitted under the requirements of Senate Bill 3050 which places a cap on the tax levy of the cities and towns for FY-11 of 4.50%, and in subsequent years decreases to 4% in FY-2013 in ¼% increments. The School Department may submit a budget request, which does not ask for more than 4.50% of the tax appropriation given to the School Department in FY-10. It is not required that the School Department be funded at that level. The Office of Municipal Affairs, an office in the Department of Administration, has determined a maximum levy for the entire Town for FY-11 and it is \$1,868,595 even though we have not availed ourselves of that amount.

CAPITAL IMPROVEMENTS PROGRAM (CIP)

The Town has traditionally prepared a capital improvements plan each year. Given the constraints of the economy, I am proposing that the CIP be suspended for FY-11 as we did in FY-10. I have included several capital items for Council consideration that have been either a Council priority or an opportunity to save funds or property.

I want to thank all the department directors for their efforts to keep their budget as low as possible in these difficult economic times. A special thanks to Kathleen Raposa, Finance Director, on her budget presentations and analysis.

Sincerely,

A handwritten signature in black ink, appearing to read "William Sequino, Jr.", with a large, stylized flourish extending to the right.

William Sequino, Jr.

Town Manager