




TOWN of TOLLAND / 21 tolland green, tolland, connecticut 06084

Steven R. Werbner  
Town Manager  
(860) 871-3600  
swerbner@tolland.org

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TO: TOWN COUNCIL  
FROM: STEVEN R. WERBNER   
SUBJECT: BUDGET DISCUSSION

As discussed at the last Town Council meeting, it is unlikely that a State budget will be adopted by August 1<sup>st</sup>. As stated, I believe it is prudent to consider now our potential budget parameters without a state budget as well as implementing some of the cost reductions I suggested in my recommended budget as soon as possible. Every day that goes by in the new fiscal year is one less day to recapture costs which could in some way help to offset the potential loss of State revenue. In the most recent Resource Allocation Plan issued by the Governor we stand to lose \$8,345,215 in State Statutory Formula Aid. To make up for the loss of revenue in this Plan would require a 19.83% increase in taxes or 6.78 mills and that assumes that there is no General Fund increase for the Town, Board of Education, Capital or Debt Service portions of the budget. This does not take into consideration anything to do with the Teacher Pension issue. While this is not a final budget from the State it is a continued pattern of a significant reduction in State Aid which leads me to suggest that we should consider taking some actions now to address what seems to be the inevitable.

Furthermore, we have to keep in mind that if we are to put into the second tax bill installment any adjustments to the mill rate it is necessary that the Tax Collector have that information by December 1<sup>st</sup>. Anticipating two months for completion of our budget process (difficult to fully estimate without knowing how many budget referendums will ultimately be required to adopt a budget) and the complication of a municipal election in November, I would suggest that regardless of the status of the State budget process that by no later than September 11<sup>th</sup>, we plan to commence our budget deliberations in earnest with the first budget referendum being no later than October 17<sup>th</sup> and every two weeks after that date if needed. Should there be no State budget by August 1<sup>st</sup>, I would recommend that the following be put in place:

1. Continue discussions with the BOE on the amount of expenditure reduction deemed necessary from their current year allocation. In my recommended budget I had reduced expenditures by \$1.2 million which were offset by a new special education grant. I have not seen any further update on the status of the special education grant in revised State budget proposals.

2. Continue discussions with the public on the direction they want the Town Council to take to address this financial crisis.
3. I had recommended eliminating the two remaining free bulky waste pickup days. The savings associated with this recommendation is \$49,000. At this point I would recommend keeping the free day in October but eliminating the one next May for a savings of \$24,500.
4. Reduce by two our current compliment of Resident Troopers. The savings is \$256,956 on a yearly basis. Prorating this savings on a monthly basis is \$21,413 so for July and August we would have to deduct \$42,826 from that amount for a savings of \$214,130.
5. Eliminate the position of Assistant Director of Public Safety at a savings of \$73,392 and an additional savings of \$70,000 in the capital budget for a planned vehicle. (This has already been done by not filling the position.)
6. Eliminate secretarial assistance for certain commissions at a savings of \$3,300.
7. Eliminate video streaming of Town Council meetings at a savings of \$1,251.
8. Eliminate funds for Celebrate Tolland at a savings of \$6,000.
9. Perform the next revaluation in-house which eliminates a planned phased-in payment for the total cost of hiring contractual services in the amount of \$41,000.
10. Reduce our health insurance payments by \$56,000 based on further refined projections for the next fiscal year. (This reduction is offset by an increased expenditure of \$59,920 to our solid waste budget due to the delays in implementing every other week recycling and maintaining one free bulky waste pickup day.) Also we have reviewed with our Health Advisor our monthly claim experience and at this time we are running higher than anticipated meaning there is no further reduction available from this source.

I recognize that the savings from these reductions on the Town side is small in comparison to the overall potential loss of revenue. However, I feel we have to take whatever practical action we can to try to mitigate the impact on our taxpayers of a potential loss of State revenue. Further reductions of a larger magnitude on the Town side would necessitate layoffs and reduced hours of programming or operations for such activities as the Library, Recreation, Senior Center, possibly overall Town Hall hours and Public Works activities such as mowing grass, ball field preparation and certain services provided to the Board of Education for the maintenance of their grounds.

I have attached, as a starting point for discussion purposes, an analysis of the Governor's revised budget on Tolland (See Attachment A). At this point in time none of the other proposed budget options put forth by either party includes Town by Town financial runs. So there are no other good numbers to use besides those put out by the Governor. I read for example today that even the Governor's proposed budget is some \$120 million out of balance due to double counting of money received from concessions and potential layoffs. I have no idea if that means further impact to Towns and Cities. If someone feels that different revenue numbers should be used, please let me know the logic and the amount and we can do some projections on impact. Using the Governor's numbers in Attachment B, I have shown the potential expenditure reductions and tax impact using tax impact caps of 2%, 5%, 10%, 15% and 19.83%. I have not determined how the amount of any proposed reductions in expenditures would be prorated between the Town and Board of Education. As can be seen in Attachment A, the vast amount of money lost is from Education Aid. It should also be kept in mind that whatever aid we ultimately do lose in ECS the pattern is for the remaining money to be completely redistributed from us over the next several years.

Furthermore, recognizing that in all probability that whatever budget is ultimately adopted by the State it is at best a two year fix, I would suggest that at some point after a Town budget is adopted that we sit with the Board of Education and based on their operational models for the next five years look at the financial models for that same time period and try to estimate potential financial trends. For that purpose I would, over a five year period of time, eliminate all state aid currently being received. I would also factor in projected losses in the Grand List due to crumbling foundations and at best subject to further discussion with the Assessor use a flat Grand List after the next revaluation.

If there is any additional information desired by Town Council members for our Tuesday special meeting please contact me as soon as possible.

SRW/lrb  
Attachments

# Analysis of Governor's Revised Budget vs. Initial Budget

	Current FY 16-17 Budget	Current Revenue Governor	Current Revenue loss	Gov Original Budget FY 2018	Gov Reallocation Budget FY 2018	Change Governor's Budget	Governor's Revised vs. Town 16-17 Budget
<b>General Fund Revenues:</b>							
PILOT	0	0	0	34,245	0	-34,245	0
Pequot	34,843	23,228	-11,615	35,163	0	-35,163	-34,843
Adult Education	8,572	8,984	412	8,436	8,436	0	-136
Education Cost Sharing	10,784,974	10,699,177	-85,797	5,677,712	2,500,314	-3,177,398	-8,284,660
Municipal Projects	85,064	85,064	0	0	0	0	-85,064
Municipal Revenue Sharing	303,971	303,971	0	437,559	437,559	0	133,588
Elderly Circuit Breaker	65,000	70,907	5,907				-65,000
Disability Grant	1,600	1,610	10				-1,600
Veterans Exemption Grant	7,500	8,635	1,135				-7,500
<b>Total General Fund</b>	<b>11,291,524</b>	<b>11,201,576</b>	<b>-89,948</b>	<b>6,193,115</b>	<b>2,946,309</b>	<b>-3,246,806</b>	<b>-8,345,215</b>
Teacher Retirement				1,934,215	1,897,949	-36,266	1,897,949
							<b>-10,243,164</b>

## Loss in Motor Vehicle Taxes:

Based on the FY 16-17 mill rate of 34.19	298,924
Based on the FY 17-18 mill rate of 41.58	1,307,624
Based on the FY 17-18 mill rate of 43.27	1,538,301

Note that the property taxes will increase however residents need to review their motor vehicle tax and compare that as well to see the net tax impact. The motor vehicle will be reduced and depending on the value of their vehicles vs. the previous year their taxes will decrease for motor vehicles.

# Budget Scenarios based on Governor's Resource Allocation Budget

	Governor Resource Allocation Plan	Budget (Reduction) or Increase Amount compared to FY 16-17	MV Tax same Mill - 2% Tax Increase	Budget (Reduction) or Increase Amount compared to FY 16-17	MV Tax same Mill - 5% Tax Increase	Budget (Reduction) or Increase Amount compared to FY 16-17	MV tax capped at 37 Mills -10% Tax Increase	Budget (Reduction) or Increase Amount compared to FY 16-17	MV tax capped at 37 Mills - 15% Tax Increase	Budget (Reduction) or Increase Amount compared to FY 16-17
TOWN OPERATING BUDGET	11,868,056	0	11,868,056		11,868,056		11,868,056		11,868,056	
EDUCATION OPERATING BUDGET	39,333,948	0	39,333,948		39,333,948		39,333,948		39,333,948	
TOTAL TOWN & BOE OPERATING BUDGETS	51,202,004	0	51,202,004		51,202,004		51,202,004		51,202,004	
PERCENTAGE CHANGE FOR OPERATIONS ONLY	0.00%	0	0.00%	0	4,550,000		4,550,000		4,550,000	
DEBT SERVICE	0.00%	0	0.00%	0	54,578		54,578		54,578	
CAPITAL IMPROVEMENT FUND	0.00%	0	0.00%	0	0.00%		0.00%		0.00%	
AMOUNT TO REDUCE BUDGET			-7,169,114	-7,169,114	-5,869,081	-5,869,081	-3,783,500	-3,783,500	-1,858,600	-1,858,600
TOTAL OVERALL BUDGET CHANGE PERCENTAGE			-12.85%		-10.52%		-6.78%		-3.33%	
TOTAL EXPENDITURES	55,806,582		48,637,468		49,937,501		52,023,082		53,947,982	
TOTAL REVENUES	55,806,582		48,637,468		49,937,501		52,023,082		53,947,982	
REQUIRED MILL RATE TO BALANCE BUDGET	40.97		34.87		35.90		37.61		39.32	
MILL RATE INCREASE REQUIRED	6.78		0.68		1.71		3.42		5.13	
PROJECT ANNUAL TAX IMPACT (%)	19.8%		2%		5%		10.00%		15.00%	

## Tax Impacts

Assessment Range	2014 Assessed	Market Value	FY 16-17 34.19 Mills	2% Tax Increase	Tax Increase	5% Tax Increase	Tax Increase	19.8% Increase	Tax Increase
Low	117,093	167,276	4,003	4,083	80	4,204	200	4,797	794
Medium	188,285	268,979	6,437	6,565	128	6,759	322	7,714	1,277
High	360,369	514,813	12,321	12,566	245	12,937	616	14,764	2,443

Attachment B

Assessment Range	2014 Assessed	Market Value	FY 16-17 34.19 Mills	10% Tax Increase	Tax Increase	15% Tax Increase	Tax Increase
Low	117,093	167,276	4,003	4,404	400	4,604	601
Medium	188,285	268,979	6,437	7,081	644	7,403	966
High	360,369	514,813	12,321	13,553	1,232	14,170	1,849