

TOWN OF TOLLAND



FY 2017-2018 BUDGET OVERVIEW

March 9, 2017

LOSS IN STATE AID OR COST SHIFTS AS PROPOSED IN GOVERNOR'S BUDGET

	CURRENT YEAR	GOV PROPOSED	DIFFERENCE
ECS Grant	10,699,177	5,677,712	-5,021,465
Grants for Municipal Projects	85,064	0	-85,064
MRSF Revenue Sharing	303,971	437,559	+133,588
Teacher Retirement Cost Shift	0	1,934,215	-1,934,215
TOTAL			-6,907,156

- In addition the cap on the car tax is scheduled to go from 37 mills to 32 mills. Depending on the actual mill rate adopted this is a loss of tax revenue in the amount of \$300,000 to \$800,000.
- There is a new proposed Special Education Grant in the amount of \$2.5 million which goes directly to the Board of Education.
- The impact of these changes alone with no other budget changes is approximately 6 mills or a 17.8% increase.

OTHER SIGNIFICANT CHANGES IN GOVERNOR'S BUDGET

- Resident Trooper Program – Towns would be responsible for 100% of the cost. Impact on Tolland is an additional \$60,000.

RESIDENT TROOPER CHANGES

We have budgeted \$18,500 as a match for DUI grants from the State. Reviewing 2015-16 results the program did not result in a significant number of DUI arrests (1). It is recommended that the money be transferred to salary and general overtime accounts so that we can increase the Secretary's position in the department from 25 hours to 34 hours. This would be an additional \$9,117 and would provide better coverage in the office with the reduced number of troopers. The remainder of the money would be available for general overtime again to address needs with the reduced number of troopers.

Potential impacts of reduced number of troopers:

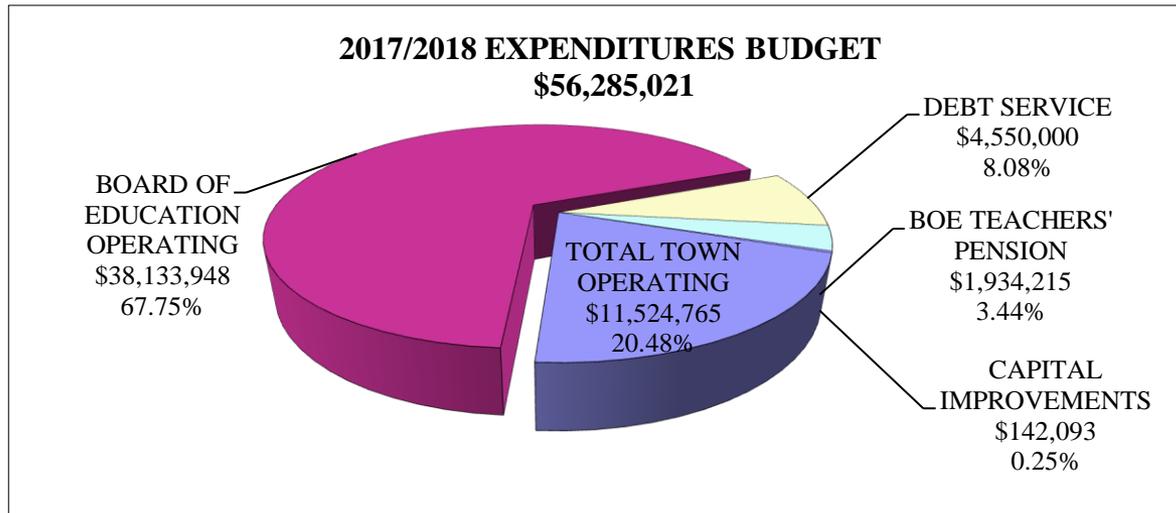
- Troop C will have to cover approximately 20 vacant shifts per month. Taking November of 2016 with four troopers and 60 shifts we had 20 shifts when we had two troopers working; 31 shifts with one trooper working and 9 shifts when were covered by the barracks.
- Response time to calls will increase coming from the barracks.
- Explorer program will be eliminated.
- Community outreach programs will be compromised.
- House Check program will be compromised.

BUDGET SCENARIO PRIOR TO GOVERNOR'S BUDGET

- Zero percent expenditure budget for Town and 2.14% increase for BOE and ECS at current amount – **0.45 mill or 1.316% increase**

Therefore, based on the impact of the Governor’s budget, I am presenting you with a budget which reduces basic services, both in the Town as well as the Board of Education, while at the same time increases overall expenditures to 0.857% with Town operation expenses being a decrease of -2.89%, the Board of Education a decrease of -3.05%. The decrease in Board of Education funds will be offset by a new Special Education Grant in the same amount making the impact on the Board of Education no increase over current year expenditures. Other changes include a Capital Improvement Fund increase of \$142,093 and the new category of Teacher Retirement Pension which is budgeted at \$1,934,215. The tax increase necessary to support this budget is 4.81 mills or a 14.069% increase in the mill rate.

Without the impact of the Governor’s budget, the mill rate for the Town, with the budget I am recommending, would be a decrease in the mill rate.



Each year as part of this budget message I show the tax impact to the average low-middle-higher assessed homes. After Revaluation the average assessment for these categories of homes was \$117,093 - \$188,285 - \$360,369.

Property Tax Impact of the Town Managers Proposed Budget for Three Average Assessments				
2014 Assessment	Market Value	Taxes at 34.19	Taxes at 39.00	Difference
\$117,093	\$167,276	\$4,003	\$4,567	\$564
\$188,285	\$268,979	\$6,437	\$7,343	\$906
\$360,369	\$514,813	\$12,321	\$14,054	\$1,733

Alternative Budget Scenarios:

There has been considerable discussion about the need for the inclusion of the 2.14% increase as proposed by the Board of Education. My issue in including the increase has not been based on need but rather the financial impact of over-laying new costs on top of significant revenue reductions and cost shifts as proposed by the Governor. For the Town Council's consideration I am providing four alternative budget scenarios as follows which include the revenue reductions and expenditure shifts proposed by the Governor:

Scenario A – Include as an expense the budget increase as recommended by the Board of Education

Mill rate to support budget – 40.81 mills

Mill rate increase – 6.62 mills

Percentage tax impact – 19.36%

Additional property tax impact for average assessments – \$775 - \$1,246 - \$2,386

Scenario B – Include as an expense the budget increase as recommended by the Board of Education and maintain status quo with the Resident Trooper Program

Mill rate to support budget – 41.09 mills

Mill rate increase – 6.90 mills

Percentage tax impact – 20.18%

Additional property tax impact for average assessments – \$808 - \$1,299 - \$2,487

Scenario C – Include as an expense the budget increase as recommended by the Board of Education and maintain status quo with Recycling and Bulky Waste pickup

Mill rate to support budget – 40.90 mills

Mill rate increase – 6.71 mills

Percentage tax impact – 19.62%

Additional property tax impact for average assessments – \$786 - \$1,263 - \$2,418

Scenario D – Include as an expense the budget increase as recommended by the Board of Education and maintain status quo with the Resident Trooper Program and Recycling and Bulky Waste

Mill rate to support budget – 41.18 mills

Mill rate increase – 6.99 mills

Percentage tax impact – 20.44%

Additional property tax impact for average assessments – \$818 - \$1,316 - \$2,519

In all these scenarios there would have to be a discussion and agreement as to how the additional revenue which the Board of Education may receive in the form of a Special Education Grant will be handled. In the scenarios above the revenue would be in addition to the 2.14% increase. One option would be to have an amount equal to the additional revenue returned by the Board of Education at the end of the fiscal year to be placed in the Capital Reserve account and used to offset the cost of future capital expenditures of the Town or Board of Education. In this way the revenue would not be supporting an operating expense and would not directly be built into the mill rate.

TOWN OF TOLLAND

PERCENTAGES CHANGES OF MILL RATES AND EXPENDITURES

						Revaluation year					Revaluation year
	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
<i>Revenues</i>	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget	Budget
Mill Rate	28.39	28.39	29.51	29.49	29.15	29.73	29.99	30.19	31.05	33.36	34.19
Expenditures % change from prior year	5.30%	0.00	5.27%	-0.87%	0.96%	2.25%	1.85%	0.94%	2.57%	2.68%	2.21%
Mill Rate Increases		0.00	1.12	-0.02	-0.34	0.58	0.26	0.20	0.86	2.31	0.83
Mill Rate % change from prior year		0.00%	3.95%	-0.07%	-1.15%	1.99%	0.87%	0.67%	2.85%	7.44%	2.49%

CURRENT MILL RATES IN SURROUNDING TOWNS

- 38.03 – Vernon
- 34.19 – Tolland
- 31.20 – Coventry
- 30.50 – Ellington
- 29.87 – Mansfield
- 29.52 – Avon
- 28.20 – Suffield
- 27.73 – Willington
- 25.78 – Farmington

BUDGET REDUCTIONS

- Reduce the current year allocation of the Board of Education by 1.2 million dollars offset by a new state grant of equal amount. Thus resulting in a 0% increase. The Board of Education budget does not take into consideration the need to possibly budget for Teachers' pensions in the amount of 1.9 million dollars or the substantial loss in ECS funds. I have for this year established a new account for the Teacher Pension Costs and have not, like some towns, included that expense in the Board of Education budget.
- Adjust the current weekly collection of recyclables from every week to every other week offering residents either an upgrade to a 95 gallon container or a second 95 gallon container for recyclables. The savings is \$104,832 spread over two fiscal years or a yearly impact of \$52,416. This proposal from our vendor also includes a five year contract extension and to revisit the recycling rebate figure. In addition I am recommending we eliminate the two Town sponsored bulky waste pickups at a savings of \$49,000.

BUDGET REDUCTIONS, continued

- Reduce by two our current compliment of Resident Troopers from 4 to 2. The Governor's recommended budget places 100% of the cost for Resident Troopers on the Town whereas in previous years the State assumed some of the cost recognizing that at times the Troopers assigned to Tolland are required to perform non-Tolland functions or be available to Tolland due to State mandated training requirements. The additional cost to assume 100% of salary would be \$62,000. Currently we pay between \$155,398 to \$207,683 for a Resident Trooper. The savings is \$256,956. I am recommending that we hire, from current year available funds, a consulting firm specializing in police services to work with a Study Committee appointed by the Town Council to consider future options for providing police services to the Town. While I am a strong supporter of the Resident Trooper Program, the costs which the State is requiring Towns to assume such as a portion of the State Police pension that was underfunded for years makes this program financially not sustainable in the future.
- Eliminate the currently vacant position of Assistant Director of Public Safety at a savings of \$73,392 and an additional savings of \$70,000 in the Capital Budget as a result of the elimination of a vehicle and associated equipment for the position. A portion of the savings has been set aside in this year's budget for administrative changes which will be made in the department following completion of union negotiations.

BUDGET REDUCTIONS, continued

- Eliminate secretarial assistance for the following Commissions at a savings of \$3,300:
 - Blight Review Committee
 - Conservation Commission
 - Design Advisory Board
 - Economic Development Commission
 - Tolland Green Historic District Commission

- Eliminate Videostreaming of Town Council meetings at a savings of \$1,251. Currently less than an average of 20 people per meeting take advantage of this service.

- Eliminate funds for Celebrate Tolland at a savings of \$6,000. It may be possible to seek corporate funding to allow this program to continue.

- Perform the State mandated revaluation required in 2019 in-house which will save the Town between \$60,000 to \$125,000 depending on final consultant figures. The money we have already budgeted is sufficient to cover the Town's estimated expense of \$132,000. For this work, therefore, allows me to eliminate a phased in payment of \$41,000. The ability to perform an in-house revaluation as we did several years ago and are proposing for the next one is based on the knowledge and experience of our current Assessor and his willingness to dedicate the time to perform this function in addition to his normal requirements.

SIGNIFICANT ADDITIONS TO THE **BUDGET**

- \$20,000 for Economic Development consulting services
- \$20,000 to increase the stipend for volunteer firefighters which has not been increased for over six years
- \$19,000 to begin the Plan of Conservation and Development

FUND BALANCE

The use of fund balance in the budget process is one that comes up yearly. Some facts:

- Fund balance in Tolland over the last ten years has increased some 2 million dollars or from 10.9% to 12% with the most recent percentage being 11.7%.
- During that same time period our Bond rating has gone from a AA- to AA to AA+ and now to a AAA.
- The AAA rating is the highest attainable rating and assists us in obtaining lower borrowing rates of interest. Factors considered by rating agencies in assigning ratings include the diversity of your tax base, fund balance levels, strong financial discipline in budgeting and financial operations, long term financial planning and debt management. There are few communities in CT with the lack of a diversified tax base such as exists in Tolland that have a AAA rating.
- The Government Finance Officers Association recommended practice for fund balance reserves is to have an unassigned fund balance at a minimum of either 2 months of operating revenues or operating expenditures.

FUND BALANCE, continued

- The unassigned fund balance for Tolland at June 30, 2016 was \$7,113,653 and if based on two months of operating expenditures the amount should be \$9,301,097. In FY 2017-18 that number would raise to \$9,380,837.
- There are occasions when fund balance needs to be used such as we did in larger amounts when we had devastating blizzards several years back or if you have unexpected damage to your facilities or infrastructure or equipment. Fund balance in large amounts should not be used as a revenue source to fund ongoing operations based on an inability to sustain the contribution on an ongoing basis. If fund balance is used you need to have a recovery strategy as how you are going to replenish your reserves. For example when we use the money for blizzards we recommended that any money subsequently recovered from FEMA go into a storm management reserve fund which is part of our overall fund balance.
- Our debt management plan includes \$11,510,491 of authorized but unissued debt. The total debt management plan includes an additional \$12,497,167 in new debt for a total of \$24,007,658 over the next five years. Our Financial Advisor indicates a lowering of our bond rating could result in an additional interest cost in the amount of \$1,410,000 for our debt management plan.



Remaining Budget Schedule

March 15, 2017 (Wednesday)

Council Discussion with Board of Education – Council Chambers – 7:00 p.m.

March 16, 2017 (Thursday)

Town Hall Style Budget Discussion with residents – Library Program Room – 7:00 p.m.

March 23, 2017 (Thursday)

PUBLIC HEARING on Manager's Recommended Budget – THS Auditorium – 7:30 p.m.

March 30, 2017 (Thursday)

Council Discussion – Budget finalized – Council Chambers – 7:30 p.m.

April 20, 2017 (Thursday)

ANNUAL BUDGET PRESENTATION MEETING – THS Auditorium – 7:30 p.m.

April 24, 2017 (Monday)

Budget Presentation – Senior Center – 12:30 p.m.

May 2, 2017 (Tuesday)

Annual Budget Referendum

By May 9, 2017 (Tuesday)

Council to establish mill rate upon referendum adoption