

May 6, 2015

Dear Residents:

The budget for Fiscal Year 2015/2016 is adopted at a time of great uncertainty regarding the impact of multi-year state budget deficits as well as the impact this year of the State mandated property revaluation. The current legislative session which ends in June has before it a number of legislative initiatives which could have a significant impact on both the Town and Board of Education budget. Issues such as the property tax structure, certain new unfunded state mandates, motor vehicle tax, Resident Trooper funding and the funding for special education are just some of the issues we will be watching closely as the legislative session progresses.

The Town's Assessor, Jason Lawrence, has recently completed the State mandated revaluation in-house saving the Town thousands of dollars in the process. A revaluation does not raise revenue, it redistributes the tax burden based on the current value of the property. It has been five (5) years since the last revaluation. During that time the real estate market has been changing with increases to some properties and decreases to others. As a result this may cause inequities in values. Eighty nine percent (89%) of the properties in Tolland have decreased in value between 1%-10% due to market forces over the five year period of time. In total the Town's Grand List of taxable property declined by 3.51% or a loss of \$1,418,664 in actual tax dollars. In comparison, Coventry, which is on the same revaluation cycle, had a decline of approximately 7% in their Grand List. With a decline in the Grand List a corresponding increase in the mill rate must occur in order for there to be sufficient tax dollars to fund current and/or future budgetary expenses. The final impact of the revaluation on each homeowner will vary greatly depending on your new assessment, the value of any cars owned and the adopted mill rate. On our website, www.tolland.org, you can find a tax calculator that will allow you to determine the impact of the revaluation and this budget on your property tax payments.

The recently released Governor's budget basically maintained the amount of general fund related state aid that we receive at an equal level. A reduction was made to the Education Cost Sharing Grant revenue in the amount of \$16,388 to take into consideration possible interim grant funding adjustments that can occur after final excess cost data is provided to the State Department of Education. Adjustments in other revenues excluding State aid and tax revenue results in an increase in overall revenue in the amount of \$69,757. The Governor has further proposed that we pay 100% of the cost of the Resident Trooper Program rather than the current 70% Town/30% State split. This split in payment recognized that the State Police had a cadre of Officers who could be called to address State concerns at any time such as activity on the highway or other State roads as well as the amount of time Resident Troopers are involved with mandated training and not available to Towns. This change for the current compliment of Resident Troopers would result in an addition of \$228,932 to our budget as well as \$46,063 to the Board of Education for the School Resource Officer. This is a major financial impact to the Town and one which may necessitate that we begin to explore options for providing Police services. The total salary with fringe benefits for a Resident Trooper is approximately \$190,000 and increasing on a yearly basis. To partially offset this increased cost, the Council will consider reducing by one the number of Resident Troopers serving the Town as well as the Sergeant leaving three (3) Resident Troopers. This scenario still requires that we budget an additional \$38,327 toward this function. Our proposal would leave money in the Board of Education to hire a School Resource Officer using someone other than a State Trooper at a much lesser cost. In addition we are budgeting \$11,673 to use toward a study of options which the Town may have for providing Police services.

Unfortunately with no new State revenues, other changes in charges from the State, and only a modest increase in revenues overall, the pressure on property taxes to fund local expenditures increases. As we have on a regular basis over the last five years, both the Town and Board of Education responding to the economic times have minimized, to the extent practical, expenditures while doing everything possible to retain or improve upon the quality of programs and services offered. Our budget philosophy is to focus on our ability to sustain over time essential services and programs and to address absolute needs in a prioritized manner. This community over the last three years has had percentage increases in the mill rate of 1.46% which is

considerably lower than the average consumer price index for the same period of 2.0%. In addition increases in general government spending averaged 1.78%. Tolland has certainly done its part to be fiscally responsible during that period of time.

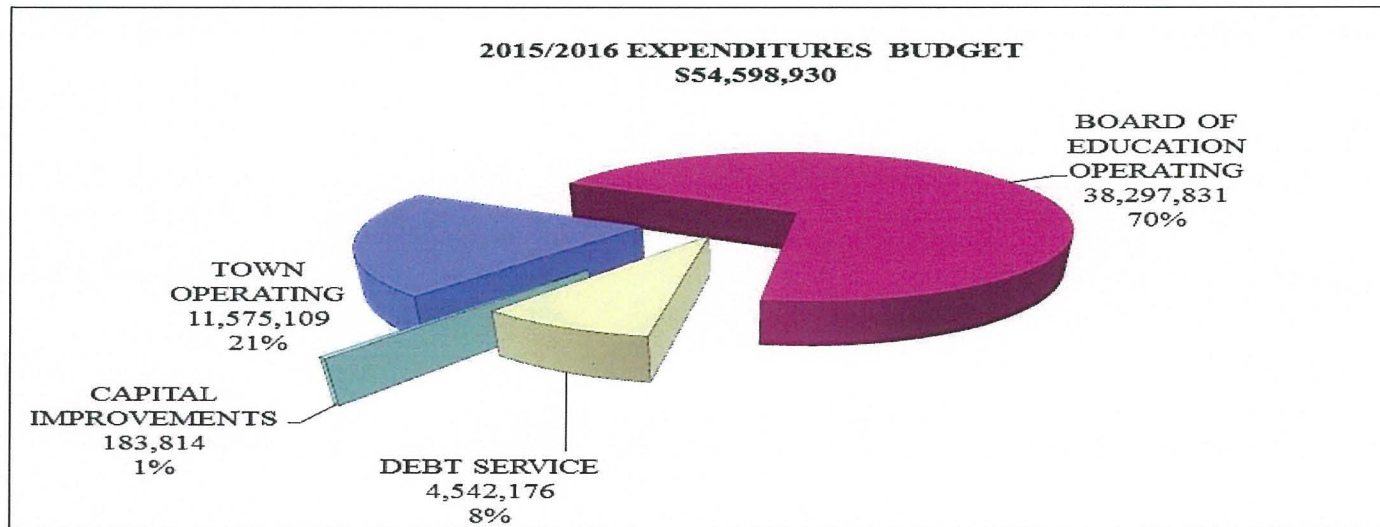
While holding the line on expenditures, the Town, through the dedicated leadership of its employees, has been able during the current fiscal year to achieve many significant results including:

- Reaffirmed its Triple A Financial rating from Standard and Poor's which places us in a category with only a few other Towns in the State such as West Hartford, Ridgefield, Greenwich, Avon and Farmington.
- Completed energy improvements at school facilities to be paid from future energy savings.
- Addressed the needs of the community during a very difficult winter season.
- Completed the State mandate Property Revaluation in-house saving the Town thousands of dollars in the process.
- Started the design of the expansion of the Library into the former Hicks Gymnasium with construction to commence in early summer.

In preparing this budget we have worked closely with the Board of Education. We applaud the Board's direction and open approach to budgeting and their vision for improvements to the school system. We fully understand the need of the Board of Education to address long standing budget, facility, safety, technology and curriculum issues, none of which, unfortunately, can be addressed without significant monetary expenditures.

For us to continue the quality of services offered at all levels of our Town government will require that we face economic and other challenges directly, acknowledge them and decide a course of action acceptable to the community. It will be difficult for the Town to sustain the quality of services offered without an increase in expenditures that is at least more reflective of the CPI and makes up to some extent for the conservative approach taken over the last five years due to the necessity of the times. We certainly recognize the need to balance spending with the pressures that it places on an already overburdened property tax. We believe the spending and tax recommendation put forth does exactly that in addressing the absolute needs of this community while minimizing to the extent possible the increase in the property tax.

Therefore, the adopted budget addresses absolute needs of the Town and Board of Education, while at the same time, limits overall expenditure increases to 2.68% with Town operating expenses being an increase of 1.91% and the Board of Education an increase of 2.98%. The tax increase necessary to support this budget, to address the impacts of the Revaluation and corresponding decrease in the Grand List as well as reduced revenues is a 2.31 mill increase.



The Town budget is not constructed so that it can withstand additional reductions without significant program implications. Town programs and line items have been reviewed numerous times over the last several months in an effort to minimize expenses. The Town's expenditures, even taking into consideration the increased cost of personnel, health insurance and commodities, remains at levels similar to that budgeted in 2009. This budget proposes Town operating expenditures at \$11,575,109 which is considerably lower than the Statewide average for Towns with populations between 10,000-30,000 which is \$23,274,052. In order to achieve Town expenditure levels recommended over the last five years has resulted in an approximate 9% reduction in the size of Town staff. In this budget we have approved the expansion of two positions, the Part-Time Deputy Fire Marshal and the Part-Time Custodian at the Town Hall to Full-Time. The Deputy Fire Marshal is needed to allow us to meet State mandated property inspections while the expansion of the hours of the Custodian are necessitated by the expansion of the Library, the needs not being met at the Town Hall and the requirements of cleaning at the Recreation Center. The cost impact with fringe benefits for these two positions is \$52,861 and \$23,442 respectively.

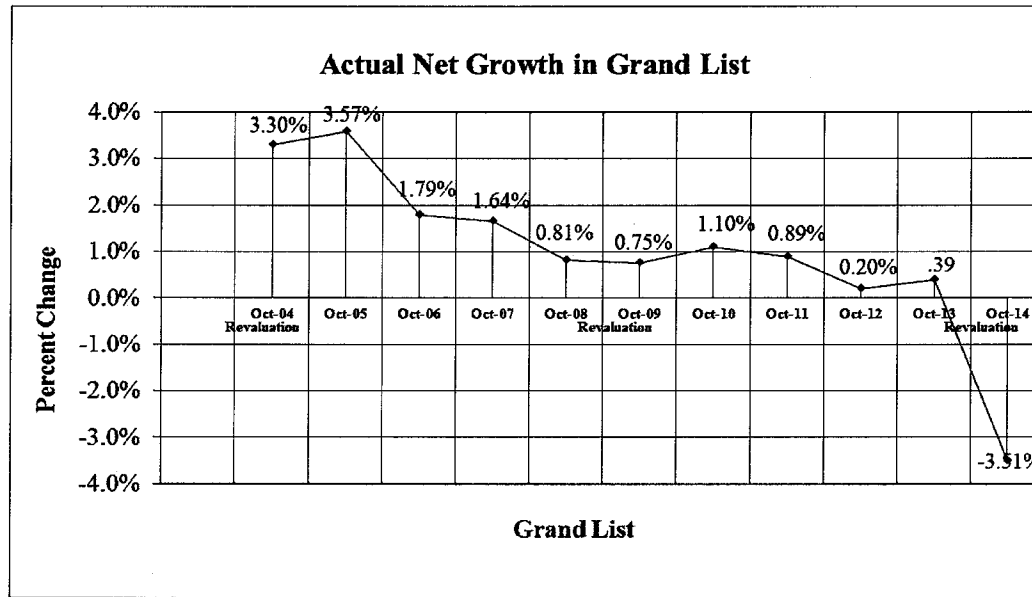
Other expenditure drivers in the Town operating budget include:

- Insurances - \$6,277
- Salaries - \$264,504
- Utilities - \$61,478
- Street sweeping - \$26,000
- Revaluation - \$20,000 (1/5 of the cost of next full physical revaluation)
- Technology Support and Improvements - \$33,414
- Capital Improvements - \$97,358

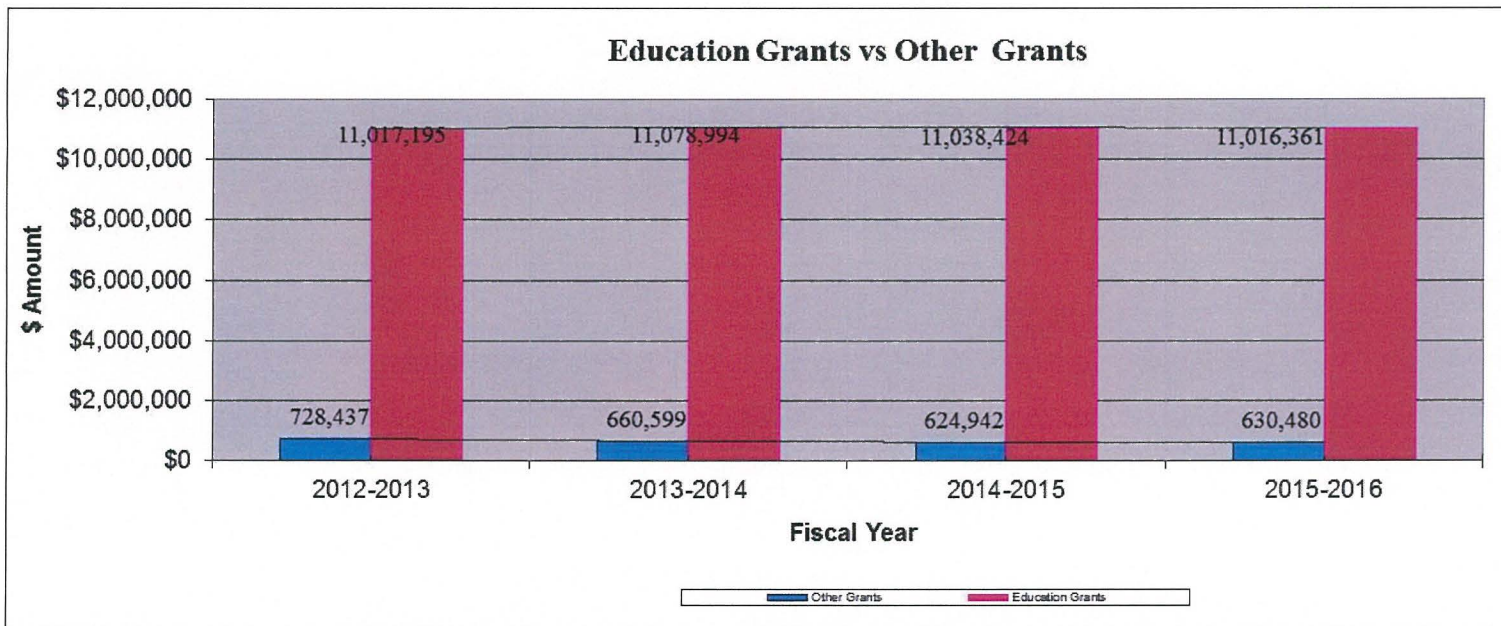
Major initiatives addressed as part of this budget are as follows:

- Expansion of the Library into the Hicks Gymnasium area.
- Expansion and renovation of the Highway Garage.

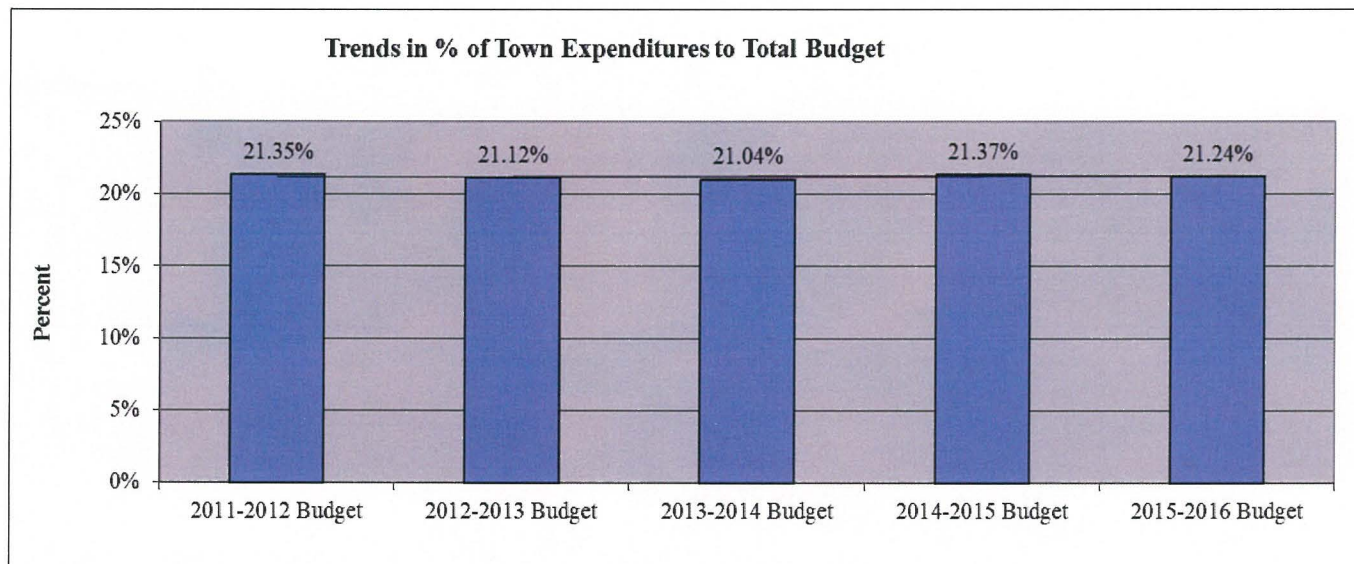
- Development of a cooperative Facility Management arrangement with the Board of Education.
- Implementation of the Town's Five-Year Technology Plan.
- Enhance the capabilities of Public Safety's ability to address State mandated inspections of property with the creation of a Full-Time Deputy Fire Marshal position.
- The conversion of the former Parker School to 37 units of Elderly Housing.

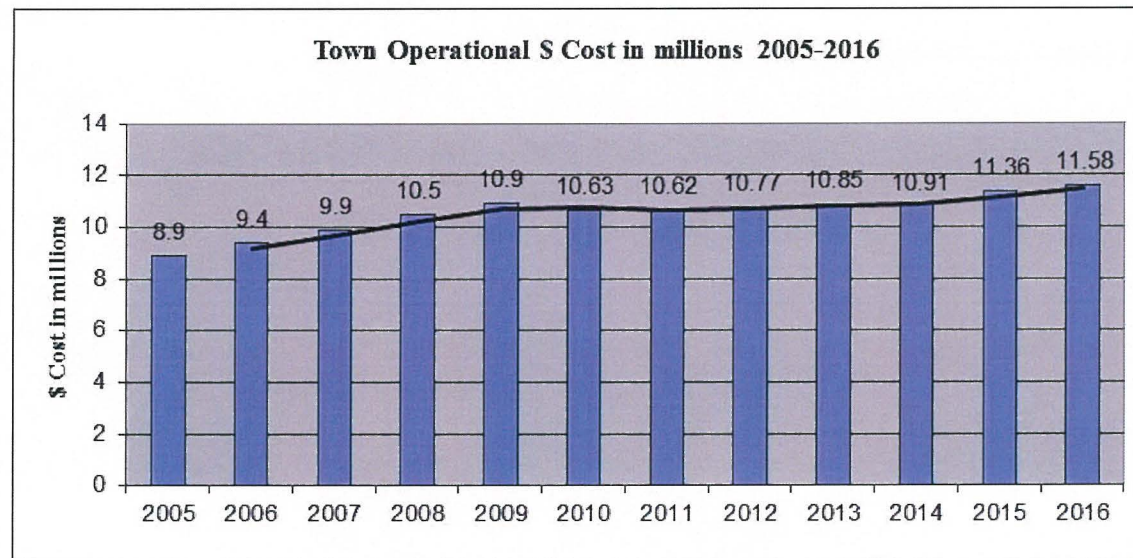


It would be unrealistic to expect over the next several fiscal years any substantial growth in state aid to lessen the burden on our local taxpayers, who are already overburdened by reliance on property tax as the main source to fund municipal expenses. While current revenue projections are on target, it should be remembered that revenues have been budgeted at reduced amounts from the previous years. For example in 2007-08, we received \$419,106 in interest income. Today we are budgeting \$40,000. Pequot funds were at \$87,657 and next year they are \$44,365. Conveyance tax was at \$191,624 and next year is projected to be \$130,000. Yet, even with this continued decrease in revenue, Town expenditures have increased only slightly so that the impact on taxes is minimized. To help offset the loss of revenue, we have included the use of fund balance in the next fiscal year in the amount of \$250,000. Use of fund balance should be carefully monitored and should only be used as a source of revenue in extraordinary economic times such as those which have encountered over the last several years. Fortunately, while use of fund balance has been programmed over the last several years, we have not had to use the funds as a revenue source due to other revenue increases or expenditure decreases. Hopefully that trend will continue and over the next several years we can further reduce our reliance on fund balance as a source of revenue.



The Town's ability to produce a budget with a limited expenditure increase is only made possible as a result of the compounding impact of actions taken in the past years as well as adjustments for the next fiscal year. Examples of actions taken over the last few years which are continuing to provide cost relief are the bidding of refuse collection and disposal and movement to automated collection, single stream recycling and reductions in bulky waste pick-up and reductions in staff over the last few years has resulted in an employee count which is 5.84 less today at 78.06 FTEs than the 83.90 FTEs six years ago.



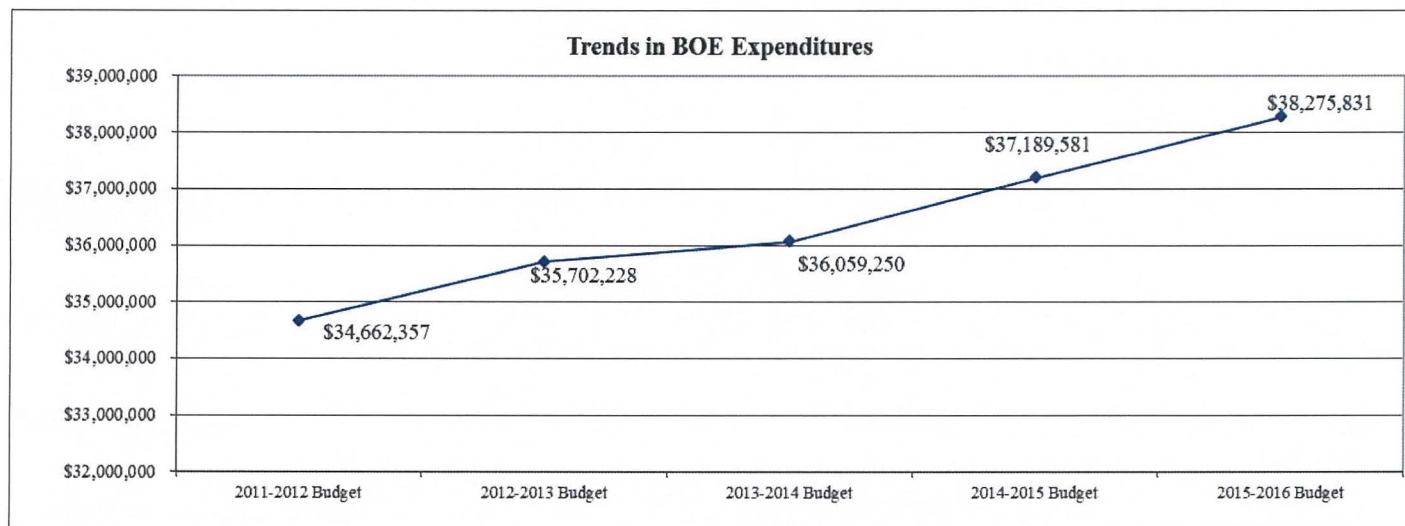
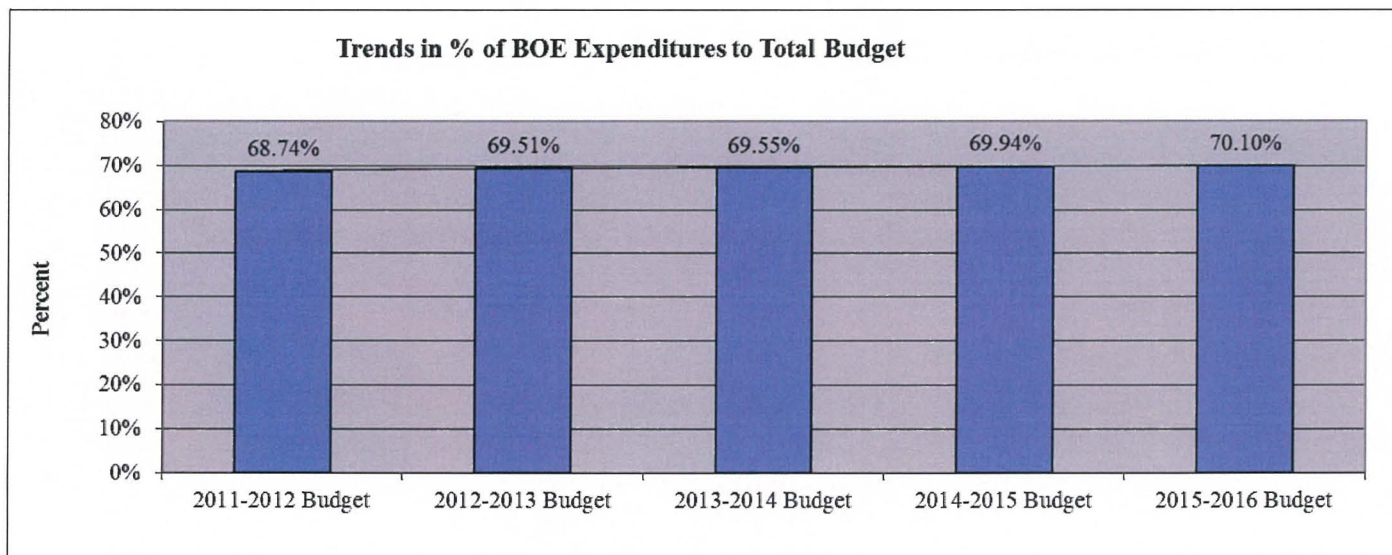


The recommended funding level for the Board of Education is \$38,297,831 or 2.98% over current year budgeted amounts. The total dollar increase is \$1,108,250.

The Superintendent of Schools has addressed the reduction in school population by reducing 15 positions. The Superintendent has also had to address the practice started several years ago of using available current year dollars to “buy down” future year recurring expenses. In the current fiscal year the 3.44% increase in the Board of Education budget is supplemented by the use of some \$392,646 for this purpose.

The reduction in the Board of Education from the 3.44% increase requested to the 2.98% which we have adopted is a reduction of \$171,530. This reduction can be achieved through a savings in the insurance premium as a result of claim experience, revised trend assumptions, reserve balance and a reduction in the dental rate. The remainder of the decrease is from savings resulting from the final Other Post Employment Benefits (OPEB) analysis that was finalized after the submission of the Education Budget. The analysis resulted in a lower annual required contribution. These reductions have been verified with Dr. Willett and staff and will not impact his budget plan.

We applaud the Superintendent and Board of Education for their ability to continually provide a high quality of education services with one of the lowest per pupil expenditures in the State. Based on information provided by the school system, residents should continue to be pleased that in almost every category students’ standardized test scores exceed Statewide levels as well as schools in our reference group. Unfortunately, a Task Force studying the manner in which education funding is dispersed Statewide has recommended that Tolland’s major education grant be at best level funded moving forward and possibly reduced by as much as 8% in future years. In the next fiscal year Tolland is projected to receive \$10,886,097 from this grant source which includes a possible interim reduction for final educational expense numbers for Special Education Excess Cost. In our opinion, with no additional State assistance for education funding, it will be difficult to provide on a yearly basis the type of funding which the Board of Education feels is necessary to fully support our education system. To ensure that Tolland can continue to offer a high level of education programming, at an affordable cost, will necessitate continued discussions between the Board of Education and Town Council concerning additional ways to save money in those line items not directly related to education programs and to have plans in place to take advantage of funding opportunities.



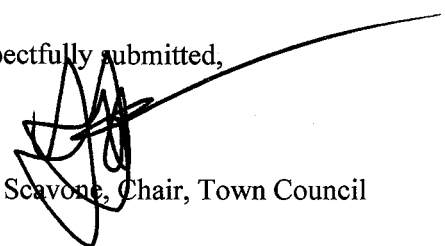
The Town is fortunate to have a strong cadre of highly qualified and dedicated Town employees. Several years ago we changed the method of compensation for unaffiliated employees to one based solely on merit. Based on the economic realities, we are recommending an average of not more than 3% for all employees involved. It is important for succession purposes and for fair compensation that we ensure going forward that our ranges and salaries within ranges are competitive with the general marketplace. Therefore we are also approving that the maximum of the ranges also be increased by 3%.

The Town of Tolland remains a community seen as a desirous place to live. The unique charm of the community, the recreational and cultural amenities, the preservation of open space, the sensitivity of plan design so as not to intrude on the rural village atmosphere and a strong education system are just some of the reasons people are willing to make a significant financial investment to locate in the community. Continued change in this community is inevitable, and the impact of some of the change may be that additional dollars are needed for municipal services even during difficult financial times. Having a vibrant, growing community remains a better position to be in than a community that is stagnant or economically depressed. We must ensure through adequate funding that we do not regress in this regard.

Elected and appointed officials, Town employees and residents all have the best interest of the community in mind when deliberating on budget matters. The monetary and operations issues which we face are significant as we strive to find a cost effective way to continue to make our community a desirable place to live, attend school and conduct business. To maintain a vibrant municipal government and a growing community we must all come together and recognize that the type of sacrifices we are being asked to make at this time will in the long run bring about a stronger community, state and nation. We thank all residents for their involvement in the budget process.

The input of staff has been critical to the development of this document. We wish to express thanks to Town Manager, Steven R. Werbner, Finance Director, Lisa A. Hancock, Director of Administrative Services, Mike Wilkinson, Assistant Finance Director and Treasurer, Agata Herasimowicz, Executive Assistants, Lynn Bielawiec and Kim Kowalyshyn who were invaluable during this process and Accountant, Laura Schwabe who has input much of the financial data.

Respectfully submitted,



Jack Scavone, Chair, Town Council