



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

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August 8, 2017

Secretary Benjamin Barnes
State of Connecticut
Office of Policy and Management
450 Capitol Avenue
Hartford, CT 06106

Dear Secretary Barnes:

I am in receipt of your letter dated August 7, 2017 requesting certain information on Tolland's fiscal health. The information on our fund balance levels is attached. Tolland has always prided itself on doing things correctly to ensure a strong financial position for the community. We have never had a defined benefit pension plan; we have some of the best written collective bargaining agreements in the State; we were one of the first towns to move to high deductible health plans; we have limited OPEB exposure; we have strong financial policies covering our debt service and use of fund balance; we have over the last ten years kept mill rate increases to no more than on average 0.58 mill increase; and provide excellent services well below the average cost of surrounding towns with our per pupil expenditure being 154th state wide. In addition, we have regionalized services where possible as evidenced by our Health District, use of regional police, shared IT with Coventry and South Windsor and the first multi-Town and Board of Education health insurance program in the State (ECHIP). All these actions in years past to current are a result of strong internal management as well as Town Councils and Board of Educations that understand the need to operate the Town in a sustainable manner.

Tolland was one of the fastest growing communities in the State in the early 2000's. As such, it had to build facilities and infrastructure to accommodate the growth. This required substantial borrowing and increased debt service which is a prime contributor today to the fact that Tolland's equalized mill rate is the 34th highest in the State. It also accounts for the reason that emphasis was placed on improving our bond rating so that we could lower the long-term interest costs associated with debt service. From the time I was hired in 2005 to now, our financial rating has increased from an AA- to AAA. With little commercial or retail within the community, our strong financial rating is based on a solid fund balance level and a strong management team and financial policies. We are one of only a few towns in the Country to have received a perfect score from Standard and Poor's using their financial management rating scale. Yet our fund balance level is still well below the standard used by GFOA which is two months of operating revenue or expenditures which would mean a fund balance of \$9,301,097.

Everything that Tolland has done over the years to position itself as one of the best communities to live in, in the country, as determined on two occasions by Money Magazine is in jeopardy as a result of the financial crisis at the State level. Losing 76.82% of our ECS funds in one year or over 8 million dollars as recommended by the Governor's budget would be a devastating blow. To make up for that loss alone and retain current service levels would require over a 20% increase in taxes or a 7+ mill increase. To absorb that sort of decrease in revenue and try to offset it with a combination of service cuts, fund balance use and tax increase would still be devastating with no scenario we have looked at being palatable. For the School system depending on the scenario used it could be a loss of 40 staff people out of some 300 which is the loss of more positions in one year than over the last nine years. This type of structural change is almost impossible for our school system to absorb. For the Town, we have already reduced last year's expenditures by over \$300,000 by reducing our Resident Trooper Program by 50% or from four Troopers to two and going to every other week recycling, reducing bulky waste pickup and other service adjustments. I have recently recommended another \$400,000 in reductions which may impact everything from our response time to weather events particularly snow to buying books for the Library.

Tolland's budget process includes a mandatory referendum which normally commences on the first Tuesday in May and continues every other Tuesday until a budget is adopted. Therefore, whatever is recommended by the Town Manager and Council is ultimately subject to final approval by the voters. This year, based on the lack of State budget and uncertain information on state revenues, our budget process was suspended in March. The first installment of tax bills were sent out on July 1st using the current mill rate. We by Charter can provide an adjustment in the mill rate in the second installment which must be in the January bills. To do that we need a mill rate by no later than December 1st and I am allowing at least two months for us to complete our budget process including referendum(s). In addition we have determined that based on current cash flow projections we cannot go beyond January without an infusion of dollars or we will be cash poor. Thus, we cannot wait any further to commence our budget process. School is starting at the end of August and the Board of Education has to plan class offerings and class size now and not wait and adjust after school starts and we on the municipal side must begin planning for the winter season and how our municipal operations will be impacted with cost saving measures over the remainder of this fiscal year.

I have recently presented to the Council a budget that I call a Hope and Prayer budget because it is not based in terms of revenue on any better information now than when we suspended the process last March. As you are aware, we are one of the Towns that is most impacted by the loss of ECS funds so our margin of error if we guess wrong on the final revenue numbers is great. If I budget a 10% reduction like many Towns have and it's ultimately 50%, then either we deplete our fund balance to cover the gap or have massive expenditure reductions jeopardizing all services. So in my Hope and Prayer budget I estimated a 50% loss of ECS funds, increased the use of fund balance from our normal \$200,000 to \$1.4 million, reduced the Board of Education by \$600,000 from last year's expense level and the Town by \$330,000 as well as eliminated all general fund contributions to capital projects. This plan still requires a

7.17% increase in the mill rate or an increase of 2.45 mills. Our mill rate currently is 34.19 mills. As noted, this plan does increase the use of fund balance which you know is a one-time infusion of dollars that cannot be sustained in future years. Nor do we project large surpluses in future years so the ability to replenish fund balance over time will be limited. I have projected that in FY18/19, with normal expenditure increases, use of fund balance at no more than \$200,000 and flat state revenues we will need another large increase in the mill rate of over 6% or 2.20 mills. Thus, in a two year time span we could increase our mill rate from the current 34.19 mills to over 38 mills.

Tolland is in the perfect storm scenario. **First**, we are one of the communities most impacted by the crumbling foundation problem. Currently we have 66 homes that have received reduced assessments resulting in a loss of tax revenue of over \$100,000. We know that over 2,000 of 5,000 residences were built during the impacted timeframe and the quarry in question is just miles from Tolland. Conservatively, we have estimated that 30% of those 2,000 homes will be impacted but others think the percentage will be higher. We have just found out we have one school and at least one fire station that has the problem. The ability to buy and sell a home in this Town is severely impacted. **Second**, we are a residential community now and always will be. Less than 10% of the remaining land mass is zoned for commercial or retail use. The ability for us to diversify our tax base is very limited. We all know the importance of the central cities. Similarly, towns such as Tolland which are suburbs to the city as well as to the University of Connecticut are as important to provide a residential base for those looking for a more rural style of life. Without vibrant suburbs, the ability of the central cities to attract employees will be severely impacted. Our residents commute not only to Hartford for employment but to Springfield, Worcester and Boston. If we have to raise substantially, what is already a high mill rate, we will no longer be competitive with surrounding towns impacting our ability to retain current residents and attract new residents. To absorb a 7 mill increase would put us over 40 mills making us some 10 mills higher than towns like Ellington, Mansfield, Columbia, Avon, Farmington, Suffield, Coventry and Willington, all competitors of ours for new residents and commercial growth. **Third and lastly**, our attractiveness is strongly predicated on the service level we can offer through both the Town and Board of Education. To decimate our services will mean there will virtually be no reason for anyone to stay or come to our community. While we know service levels or the way in which we provide services over time must change, we need time for an orderly planning process to address those changes. If ECS must be reduced, then announce a reasonable plan done over time so that Towns can adjust. To assume that in one year, a town like Tolland, that has the other problems that I have mentioned above and a budget referendum process that is mandatory, can absorb a large loss of its ECS funding is just not a reasonable assumption.

We in Tolland feel that our future is being negatively impacted by factors completely out of our control. We did not cause or contribute to the crumbling foundation issue, yet we are suffering the impact. We did not cause the financial crisis facing the State, yet we are being negatively impacted at a dollar level much higher than the vast amount of other communities. We do not deserve to have our standard of service level decimated because of problems other

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towns and cities are experiencing again which is out of our control and we should not be penalized for proper management and prudent financial planning over the years. Failure to address the crumbling financial issue at the State level, failure to come up with a reasonable state budget and failure to come up with a long-range economic plan to address the cost of pensions, methods for financing education as well as other state obligations will only result in suburbs like Tolland being the next centers of financial concern for the State to have to address.

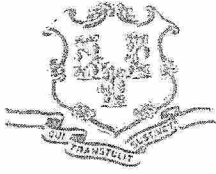
Sincerely,



Steven R. Werbner

SRW/ltb
Enclosure

cc: Lieutenant Governor Nancy Wyman
Town Council
State Senator Tony Guglielmo
State Representative Sam Belsito
State Representative Tim Ackert
Superintendent of Schools Walt Willett
Finance Director Lisa Hancock



STATE OF CONNECTICUT
 OFFICE OF POLICY AND MANAGEMENT
 OFFICE OF THE SECRETARY

August 7, 2017

Dear Mr. Werbner,

On August 2nd, the Governor directed the Office of Policy and Management to produce a series of reports on the fiscal health of municipalities (please see attached).

To that end, I am requesting updated information on your municipality's fund balance. We have historic data already reported to our office, which we have included below. We are looking for estimates of your General Fund's total fund balance and unassigned fund balance for as of June 30, 2017. In addition, we are requesting projections of your municipality's General Fund total fund balance and unassigned fund balance as of June 30, 2018, based on the assumptions from your adopted FY 18 budget.

TOLLAND

General Fund

	<u>Total Fund Balance</u>	<u>Unassigned Fund Balance per GASB 54</u>
FY 15 Actual	8,466,220	6,853,234
FY 16 Actual	8,942,439	7,113,653
FY 17 Estimated	8,613,653	6,013,653
FY 18 Projected (based on adopted municipal budget)	7,213,653	5,863,653

Finally, please provide any supplemental information about the potential impact of a continuing state budget impasse on your community's finances, such as contingency plans to utilize fund balance, issue supplemental taxes or reduce spending.

Please email the requested information to Michael Izadi on my staff at michael.izadi@ct.gov by August 16, 2017.

Sincerely,

Benjamin Barnes
 Secretary

Cc: Lisa Hancock, Finance Director
 Michael Izadi, Office of Policy and Management
 Kerry Kelley, Office of Policy and Management