

Newtown Municipal Center
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TOWN OF NEWTOWN

OFFICE OF THE FIRST SELECTMAN

August 11, 2017

Secretary Benjamin Barnes
State of CT, Office of Policy and Management
450 Capitol Ave.
Hartford, CT 06106

Dear Secretary Barnes:

I am in receipt of your letter dated August 7, 2017, requesting certain information on Newtown's fiscal health. The requested information can be found on the attached document. Our fund balance level represents an 8-year effort put forth by my office in concert with Newtown's Director of Finance to establish and institutionalize fiscally prudent policies and practices. All levels of municipal government and the Board of Education have partnered for Newtown's success. We weaned ourselves from the decades-old practice of using fund balance to mitigate tax increases and we established a strong fund balance policy that continues to guide and control budgeting and spending. We reduced spending substantially, cutting overhead, eliminating waste and inefficiency, consolidating work roles and staffing, and more. We bargained for changes in pension plans, moving from defined benefit to defined contribution. We held salaries at a point lower even than inflation, only just now with some salary agreement reaching over 2%. We moved to self-funding our medical/ health program and continue to thrive in that system, finding it even more reasonable in cost than the state's program. We commit to significant use of capital non-recurring in our annual operational budget so that we are able to save for anticipated capital items. We established an effective capital improvement planning process and we are continuing even under these economically difficult circumstances to invest about 8.5% of our annual operating budget in municipal improvement and facilities. We manage debt very well and are thoughtful and careful about how we use resources. And we dedicate \$1.6 million dollars annually in a local program of tax mitigation for seniors. All of these actions, policies, and leadership/management attributes resulted in two upgrades of our bond rating. Our residents and taxpayers have supported these changes, and have accepted the accompanying modest tax increases. We are proud of these accomplishments and point to them as examples of good management and strong leadership.

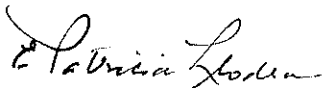
Now we cannot help but feel that our strong efforts over the past few years to gain solid financial footing, grow our fund balance, and reduce debt will serve us badly – that we are going to be punished, not rewarded, for our good behavior. One wonders if our current circumstances vis a vis the 'state' would be less daunting if we had not made the internal improvements in financial policy and practice. What if our fund balance was still at a measly 6.2%, and our debt ratio at 10%, and if we were still using

savings to mitigate tax increases, and if we did not save for known capital costs; did not bargain for changes in pension and health care, and more? Would we then be less vulnerable to reductions in state aid? Would we be rewarded for our failure to address necessary changes?

We are very aware of the fiscal crisis facing the state. And we are aware, too, that our cities, and some of our towns, are struggling and need more help. We don't presume to have an answer for these problems; they are too complex and too long-standing for any simple solution or quick fix. We do strongly feel however, that preemptive and draconian funding reductions in municipal aid may set us on a downward spiral. Such an action flies in the face of good planning, effective problem-solving, and strategic thinking. To harm Newtown and other municipalities in this fashion almost guarantees that CT's downward slide will continue. We, the very municipalities who are subject to having their piggy-banks raided by the state must remain stable and productive if the state itself is to survive and thrive. We can do the state no good if we are weakened, if our financial status is compromised and we become unable to provide quality services at a reasonable tax level.

Newtown is prepared to incrementally reduce its reliance on state aid. We know that is likely our future and we are poised to begin that journey thoughtfully, with good planning. That response began this year with a budget passed at referendum that anticipates more than 30% reduction in state aid. We have been open and honest with our residents and taxpayers. We have an excellent cadre of elected and appointed government officials at all levels and in all disciplines; and we have positive and committed employees throughout all departments and agencies. We can face this looming challenge head on and we can find ways to accommodate the impacts – but only if we are given the chance to plan forward and properly prepare.

Sincerely,



E. Patricia Llodra
First Selectman

Enc.

Cc: Senator Tony Hwang
Representative Mitch Bolinsky
Representative JP Sredzinski
Representative Duff



Dannel P. Malloy

GOVERNOR
STATE OF CONNECTICUT

August 2, 2017

Secretary Ben Barnes
Office of Policy and Management
450 Capitol Ave.
Hartford, CT 06106

Dear Secretary Barnes:

As we know, municipal aid accounts for our single largest state expenditure – more than \$5 billion of our state budget. The vast majority of that funding is for educational aid, which amounts to \$4.1 billion, or 81 percent, of all state funding given to local government.

In recent years, I have made it a priority to protect aid to municipalities. In contrast, we have made drastic changes to how we fund other areas of state government – both in total funding and in our rationale for how limited dollars are allocated. We've reduced state services; we've cut funding to private providers; we've asked state employees to come to the table with concessions; and we've raised revenues. Throughout all of this, we've held town aid harmless. In fact, it could be said that we have sacrificed state services and raised revenues *in order* to shield town government from facing difficult choices required of state leaders and implementing reforms.

As our state struggles to finalize a biennial budget, how we fund our single largest expenditure must be on the table for discussion with the General Assembly and the public. If we fail to recalibrate aid based on shifting local demographics, economies, and need, we risk perpetuating an inequitable distribution of burden among our communities. We risk not investing in the communities that should be our assets in attracting economic development, young professionals, and families.

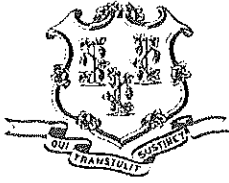
Therefore, in an effort to inform and facilitate the budget process now underway, I ask that you send me information and analysis regarding municipal aid, local tax levels, expenditure trends, fund balances, and any other criteria that could better inform our decisions. These reports should include both historic trends and current fiscal conditions. They should also be shared publicly when completed.

Thank you for your prompt attention to this matter.

Sincerely,

A handwritten signature in blue ink, reading "Dannel P. Malloy".

Governor Dannel P. Malloy



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

August 7, 2017

Dear Selectman Llodra,

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.

NEWTOWN

General Fund

	<u>Total Fund Balance</u>	<u>Unassigned Fund Balance</u> <u>per GASB 54</u>
FY 15 Actual	11,306,923	10,608,535
FY 16 Actual	12,312,290	11,444,280
FY 17 Estimated	12,500,000	11,600,000
FY 18 Projected (based on adopted municipal budget)	12,500,000	11,600,000

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: Robert G. Tait, Finance Director
Michael Izadi, Office of Policy and Management
Kerry Kelley, Office of Policy and Management