

From: Robert Tarlov <BOFChair@colchesterct.gov>
Date: November 4, 2017 at 7:00:28 AM EDT
To: "Melissa.Ziobron@cga.ct.gov" <Melissa.Ziobron@cga.ct.gov>
Cc: "Brad Bernier" <bbernier@colchesterct.org>
Subject: **Municipal Stabilization Grant**

Hi Melissa,

Brad Bernier and I were discussing this grant and were wondering what this grant was intended to offset.

Was it specific to adjust for the loss in ECS money?

Was it specific to adjust for the loss in MSRA?

Was it more general and not specific to either the education or municipal budgets?

Rob Tarlov, Chairman, Board of Finance
860-608-4293

From: Zane, Ashley <Ashley.Zane@cga.ct.gov>
Sent: Monday, November 6, 2017 4:33 PM
To: Robert Tarlov
Subject: FW: Municipal Stabilization Grant

Hi Mr. Tarlov,

Rep. Ziobron asked that I pass on the following pieces of information. Please let us know if you have any additional questions.

The Municipal Stabilization Grant primarily helped offset reductions in the following grants:

- State Property PILOT (\$15.1M in FY 18, \$11.8M in FY 19)
- College & Hospital PILOT (\$14.1M in FY 18, \$9.1M in FY 19)
- Pequot (\$426K in FY 18, \$8.1M in FY 19)
- Municipal Revenue Sharing Grants, Non-Car Tax portion (this grant was fully eliminated, for a reduction in town aid of \$75.9M)
- Supplemental PILOT grants (\$8.9M in FY 18, \$7.4 in FY 19)

Best,

Ashley Zane
Legislative Aide to Representatives
Whit Betts, Michael Ferguson, Gail Lavielle, Rob Sampson, and Melissa Ziobron
(860)240-8700

From: Robert Tarlov
Sent: Friday, October 27, 2017 6:43 AM

To: Melissa.Ziobron@cga.ct.gov

Subject: ECS Factors for Year 2

Hi Melissa,

First, let me thank you for all the work on the State budget. I know you were part of group concerned with creating a budget that had lower initial impacts on the towns and that gave towns the opportunity to adjust to changes with longer term planning.

As Colchester assumed no municipal aid in our budget, I believe that our net change in aid is manageable.

When you get a chance, I would be interested in what went into the year 2 changes in ECS.

Year 1 is easy, but I see many towns recovered in year 2 much of what they lost in year 1. I assume that part of what is impacting Colchester is our declining enrollment relative to other districts, but I am sure even if I am correct here, that there were other factors used in the new formulas.

I think knowing what items are being used might help us in Colchester planning beyond 2018/2019. Of course that may be dangerous as trying to plan long term is so dependent on a State ECS long term and then hoping the State sticks to their plan.

Is the formula for 2018/2019 a sustainable beyond this biennial budget? If not is there impetus to get this done before towns begin working on their 2019/2020 budgets?

Of course that assumes the current numbers survive for the 2018/2019 town budgets.

Again, no rush on getting this info.

Rob

Rob Tarlov, Chairman, Board of Finance
860-608-4293

From: James D McNair III <jmcnair3@comcast.net>

Sent: Thursday, November 2, 2017 2:02 PM

To: Robert Tarlov

Subject: details on the \$375 K??

Rob,

I heard the net number is \$375K. The way it was explained is the budget intentionally left out some state funds to hedge bets. Supposedly the money came in. Is my understanding correct? Is there line item detail you were shown to get to the net number? Can you share it? Also, who has the authority to use the Town revenue windfall to offset the ECS decline?

	FY 2014-2015 Actual Revenues	FY 2015-2016 Actual Revenues	FY 2016-2017 Adopted Budget	FY 2016-2017 Projected Actuals	FY 2017-2018 Proposed Budget
REVENUES:					
Property Taxes:					
Current taxes	36,332,787	36,947,160	37,430,697	37,651,328	38,843,561
Delinquent taxes	593,528	431,501	450,000	450,000	425,000
Interest & lien fees	300,356	333,390	250,000	250,000	200,000
Total property taxes	37,226,671	37,712,051	38,130,697	38,351,328	39,468,561
Intergovernmental:					
In lieu of taxes - PILOT	58,291	47,757	0	0	0
Mashantucket Pequot/Mohegan Fund	71,476	68,600	65,420	65,420	0
Municipal Revenue Sharing Account	0	0	330,363	330,363	0
Distribution to Towns	7,480	7,825	7,500	6,650	7,000
Disability Exemptions	1,980	1,863	2,184	1,723	1,546
Elderly Homeowners	48,857	46,872	50,611	41,718	45,062
Additional Veterans Exemptions	6,514	7,654	7,543	6,050	6,553
Local Capital Improvement	116,846	117,313	117,313	117,313	97,760
Youth Services Grant	18,833	18,321	14,000	17,608	17,256
Library Grant	5,603	0	0	0	0
Emergency Management	6,459	0	4,000	0	0
Total	342,339	316,205	598,934	586,845	175,177

Thanks,

James

From: Robert Tarlov [mailto:BOFChair@colchesterct.gov]

Sent: Monday, November 6, 2017 8:14 AM

To: James D McNair III <jmcnair3@comcast.net>

Subject: Re: details on the \$375 K??

James,

First, let me say that things are still evolving. We are still finding new things in the State budget not covered by information released previously. We are still waiting for a legal opinion on the Implementer Language, so below is based on historical perspective and what I know at this point, but not definitive as things could likely change as research continues and boards' discussions take place.

The number I came up with was 385K based on what we assumed in the 17/18 budget compared to the information in the CT Mirror article and confirmed by information received from one of our State Reps.

Our actual net reduction compared to 16/17 was 800K.

LOCIP shows higher in the number that Colchester is to receive than I used in the 385K or the 800K. The 2016-2017 FY LOCIP money promised and assumed in the budget was not received, but was deferred to 2017/2018. The State budget (and CT Mirror article) shows the total money for both years. Our net change based on what we assumed after backing out the deferred revenue is \$0.

This is MY spreadsheet based on these numbers:

	2017/2018 Budget					2018/2019 Budget				
	@ CT Mirror Article			Needing Current Action		@ CT Mirror Article			Additional Impact vs Projected 2017/2018	
	2016/2017	2017/2018	Change ¹	Assumed in Adopted Budget	Revenue Deficit ²	@ CT Mirror	Change vs 2017/2018	Change vs 2016/2017	To Town Revenue	To BOE Revenue
ECS	13,503,310	12,828,145	(675,165)	13,503,310	(675,165)	12,724,667	(103,478)	(778,643)		(393,747)
Mashantucket/ Pequot	65,240	65,240	-	-	65,240	23,167	(42,073)	(42,073)	23,167	
MRSA	330,363	-	(330,363)	-	-	-	-	(330,363)	-	
Municipal Stabilization Grant	-	225,029	225,029	-	225,029	134,167	(90,862)	134,167	134,167	
LOCIP ²	117,313 ²	97,760 ²	(19,553)	97,760 ²	-	136,975	39,215	19,662	39,215	
Pilot	-	-	-	-	-	74,928	74,928	74,928	74,928	
State Total			(800,052)		(384,896)	13,093,904	(122,270)	(922,322)	271,477	(393,747)
										(122,270)

1. Arithmetic error in CT Mirror Article as they show this number as 675,166

2. Did not receive 117,313 in 2016/2017, now included in 2017/2018, already spent

As we continue to review the State budget, we are finding there are other programs that are no longer being funded by the State, some which may be mandates, and could increase the reductions shown in the above numbers by 100K +/- . Research and interpretation of the budget continues.

As the amount of municipal aid to be received is less than 2016/2017, I would not classify the amount we are receiving as a "Town revenue windfall".

Towns that wanted to provide a margin of safety in their budgets, handled it in different ways. Some added mills, as did East Hampton, on to the mill rate needed for their budgets. Others assumed different revenue reductions specific to their budgets, and others included a contingency item.

Here, we chose to do that with the municipal revenue projections although this had no impact on the two expenditure budgets sent to referendum.

Board of Finance, in projecting the revenue to determine the mill rate, assumed a loss in MRSA and Mashantucket/Pequot money. It appeared that there was consensus in the proposals put forward that these would be gone, and as these were relatively small amounts in relation to our total budget, the difference should there be a partial reduction or total loss would be small. Ultimately the State budget eliminated the MRSA money, but facing a possible legal challenge, the MP money was restored. A new grant, Municipal Stabilization, was established and we are waiting for clarification as to the purpose of this new grant and if there are any limitations on how it can be used.

On the ECS money, the Governor's amount put forward in February was 4M and the two parties in the legislatures were debating much lower amounts. Those debates later resulted in a Republican proposal with no reduction and a Democrat proposal with a reduction of about 1.125M. Because of the lack of clarity and the disparity between the

numbers under discussion, the Board of Finance decided it was more prudent to assume no change rather than put forward a mil rate that might result in overtaxing us. Also, based on the information we had, we did not see a probability that the pension issue would pass.

There was statewide agreement that the Governor in his Executive Order, used the towns as pawns in getting the legislatures to act. Some towns were heavily impacted in the short term as they did not have enough fund balance to get them through this period.

As you know from your experience on BOF, revenue items are not budgeted items. The Board of Finance sends the expenditure side of the budgets to Town Meeting, which then goes to Referendum to be voted on by taxpayers and registered voters. The taxpayers do not vote on revenue. We do communicate current revenue assumptions to the taxpayer in the proposed budget. In the Budget Summary we allocate the revenue to the two budgets (in the past we also allocated revenue to the Debt Service column, too) so voters can see the mil rate impact of each on the total. The mil rate change from the previous year is shown in the total only.

In the budget process, the Board of Finance is charged with making revenue assumptions to determine the taxpayer revenue necessary and then the mill rate needed to support this amount. The mill rate is approved at the very end of the budget process after the referendums and are based on the best revenue item estimates available at that time. Most of the revenue items are assumptions and will come in higher or lower than assumed. Very few are fixed, and those we thought were fixed in the past, are now vulnerable to changing. We have recently seen these changes between referendums, post referendum and in the middle of our fiscal year. Although the BOF indirectly approves the revenue estimates when setting the mill rate, we are agreeing to the amount of the revenue to use, not approving where or how the revenue dollars will be used.

Most revenue items come into the General Fund and, although they are shown in Munis as separate items for purposes of tracking the actual amounts received compared to the amounts assumed, they are not specific to any expenditure items in the budget. Revenue coming into the Town is not allocated to specific sides of the budget.

Last year when you were on BOF, we discussed the treatment of State revenue changes. Between the first referendum, when the town budget passed, and the second referendum for the school budget, we learned that the ECS money was being reduced by 347K and the Town revenue increased by 330K. The net difference was -17K. (The ECS money and LOCIP money were further reduced during the fiscal year).

Last year was different, in that one budget had yet to be passed and the mil rate had not been set. BOF was looking to reduce the BOE budget in order to reduce the projected mil rate, before a 2nd referendum for the school budget. As the town budget had already been passed, we could not increase the Town budget. After a budget is passed, we can later underspend, but we cannot overspend. Had both budgets passed, would we have taken any action? As the net amount was small, likely not. When some revenue items have been reduced midyear, have we taken any action? As the amounts have been small, we have not.

You will recall, we asked in our discussion, had we known the amounts of the changed revenue items before the first referendum, how would they have been treated? Would we have increased the town budget or reduced the school budget? In evaluating the budgets to send to town meeting, we consider those budgets in the context of total taxpayer revenue needed after deducting non-tax revenue assumptions and the mill rate that would be needed to generate that revenue. In developing budgets, we had not increased or decreased budgets based on specific revenue item changes from the prior year. We compared previous years' budgets to the ones being proposed and the total mill rate compared to last year. Had we known these changes before the first referendum, it is likely that the budgets would have been as presented, but might have resulted in a higher proposed mill rate to adjust for lower non-tax payer revenue.

This year is different in that both budgets have passed, the mil rate has been set.

As we explained at our October 18th meeting, after the mill rate has been set by BOF, State Statute dictates that BOS will, if learning of net reductions in revenue projections, increase the mil rate to balance the budget for any shortfall in

non-taxpayer revenue and then send out supplemental bills. We discussed that in past years, the Implementer Language in the budget provided other options.

We moved forward with a referendum back in June based on a discussion with our Town's attorney, that Implementer Language would be included in the current State budget, when passed, as it had in the past budget bills. This year's State budget, now passed, has Implementer Language that allows for other options to balance the towns' budgets. Town counsel is evaluating the current language to put forward a legal opinion on how we can move forward. This should provide clarification on what we can do and who has the authority to do it.

I believe the plan is for a Tri-Board meeting to discuss the options to be outlined in the legal opinion.

I believe the consensus of most members of the different boards is to come up with a solution that will support the mill rate set by Board of Finance, and based on the legal opinion we are waiting for, could include one or more of the following options:

- reduce Town budget
- reduce the BOE budget
- use fund balance as a revenue item

You had previously mentioned that with the State budget results, "we had dodged a bullet". I would not categorize it as such. The Boards have not made decisions in a vacuum. We have remained in regular contact with our legislators and others in State government, observed what other towns were doing and discussed options with town counsel . We gathered this information so we could make prudent decisions throughout, and after, the budget process. Although a relief to have closure, the final numbers were in the range that many of us had predicted.

Also, don't know if you are aware, but I received an email that Melissa Ziobron and Linda Orange will be holding a legislative update on 11/8 at Town Hall from 6:00 -8:00. As I have not seen anything further on it, checking to make sure the meeting is still on.

Rob

Rob Tarlov, Chairman, Board of Finance
860-608-4293

From: James D McNair III <jmcnair3@comcast.net>
Sent: Monday, November 6, 2017 8:33 AM
To: Robert Tarlov
Subject: RE: details on the \$375 K??

Well thanks for making the time to clearly reply to my inquiry.

From: Robert Tarlov
Sent: Monday, November 6, 2017 8:18 AM
To: James McNair
Subject: Legislative Forum

Just received confirmation that Linda and Melissa reserved a room in Town Hall for the forum - 11/8 from 6 -8

Rob