

**Town of Barkhamsted  
Incorporated 1779**

August 16, 2017

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

Subject: Request for data regarding municipal fiscal health, dated August 7, 2017

Dear Secretary Barnes,

Per the request in your letter dated August 7, 2017, for fund balance information, I have attached that information to this letter and am also providing additional information regarding the Town of Barkhamsted's financial health.

Barkhamsted is a bedroom community situated in the northeast corner of Litchfield County with a population of approximately 3,700. We have seen a decrease in population by about 3% since the 2010 census, and our grand list has been flat during that period, with a decrease after the latest revaluation. Our top taxpayer is the Metropolitan District Commission, followed by Connecticut Light and Power, and a shopping center, which was recently foreclosed upon. These three entities comprise a little over 11% of our grand list, and the vast majority of the balance is our homeowners.

The lack of grand list growth has been due to the 2008 fiscal crisis, which had a major impact on home prices, and also due to the lack of homebuilding and new businesses coming to town during the last several years. Currently, the Town's Grand List is 87.5% real estate, with the balance being motor vehicles and personal property. The Town is 50% open space due to the 4 State Forests located within our borders, and the Metropolitan District Commission's Barkhamsted Reservoir, Lake McDonough, and associated watershed. This open space, while very desirable for quality of life, limits development that would help the grand list and reduce the property tax burden on our residents.

Our budget was passed at our Town Meeting in May and the total expenditures planned for FY18 are \$12.3 million, of which education constitutes \$9.6 million (78%). We have an elementary school, with a 2-day per week superintendent and a full-time principal, and our student population comprises 28% of Northwestern Regional High School. In the Town budget, we basically provide Town Hall services, road maintenance and winter plowing, and very little else. We are a member of the regional Farmington Valley Health District, the Northwestern CT

**67 Ripley Hill Road, Pleasant Valley, CT 06063  
(860) 379-8285; fax (860) 379-6262  
dstein@barkhamsted.us**

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Transit District, and the Regional Refuse Disposal District #1, a 3-town collaborative for municipal solid waste disposal. The residents pay for curbside pick-up, if they so desire.

Recreation is funded by user fees, with the part-time Recreation Director drawing a salary of \$10,100. Our Seniors organization does not have a paid director, and user fees fund their programs. The Town pays for the Senior Center's building costs, such as heating oil, electricity, and maintenance, and the volunteers cook all the meals and organize all events and trips.

We purchase ambulance services from New Hartford and Winsted, and pay a fee to Winsted's Beardsley & Memorial Library, in order for it to be designated as the Town library. Our Animal Control team is paid by the hour, as needed, and we purchase a space through a monthly rental fee in the Harwinton animal shelter for our use.

As you can see, Barkhamsted, which is ranked #93 in wealth among the State's towns, is extremely frugal in managing our revenues and already take advantage of many regional/collaborative services. We essentially provide no luxuries, just the essential services.

In the last 5 years, we bonded twice, after having paid off all previous bonds. The first was a 20-year bond to build a new Highway Garage to replace a very small, 1950's structure that was purchased from the State, and the second bond was a 10-year loan to replace the elementary school roof and to install photovoltaic panels, which will generate roughly 50% of the school's electrical needs. Our total indebtedness is now less than \$3 million, and reflects the Town's fiscal conservatism and the residents' dislike of borrowing money for non-capital projects.

As you can see in the data you requested, the Town's fund balances have decreased year-over-year since FY 15. There are very few options for cost reductions in the Town budget, which is only \$2.1 million for the coming year and the proposed cut to the Town's ECS funding by \$1,000,000, not counting Special Ed or the teachers' pensions, would be devastating to our schools. In fact, the Barkhamsted Elementary School would see a significant reduction in teaching positions, thereby substantially affecting the education available to our children in a school that always been highly ranked.

Our town General Fund Unassigned Fund Balance for FY 18 is projected to be \$1.0 million and our mill rate is up to 31 this year. With a \$12.3 million budget, of which 78% is education, our surplus is just over 8%, which is getting to a level that is too low by all accounting standards.

We also have no insight into TAR or LOCIP, which normally total about \$230,000, and LOCIP was not funded this past fiscal year. Based on this additional shortfall, we are limiting our road repairs to needed maintenance and completion of a couple of STEAP grants for road improvements. Those STEAP grant completions are being funded by the Town, since the grant

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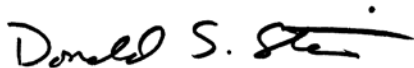
values were below the actual costs, but obviously the STEAP funds made the projects doable. We are not undertaking any new road reconstruction projects, although many roads in Town are in need of reconstruction.

If the Governor's proposal holds, one option, which is unacceptable, is to raise taxes by 3 mills in a supplemental tax bill (another 10% on top of this year's 3.5% increase); or we can eliminate our Resident State Trooper and save \$200,000, which will seriously compromise public safety, including forcing us to eliminate the School Resource Officer at Regional 7; or we can ask the schools to find \$1,000,000 in savings. Regional 7's finances could take a double hit if the \$2 million reduction in New Hartford's ECS funding occurs, as they are the largest Town in the regional high school. The net result will likely be some combination of these options, all of which are unpalatable.

The bottom line is that the lack of a reasonable budget and restoration of a large portion of the reductions in ECS, TAR and LOCIP funding will seriously hurt education and public safety (both roads and policing) in the small towns, who, like us, have already eliminated optional services, and consolidated and regionalized other functions, where possible. It will also put us in an untenable financial position with inadequate reserves to cover unexpected financial issues.

Please let me know if you want to discuss any of this information in more detail.

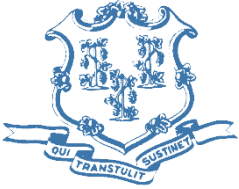
Regards,



Donald S. Stein  
First Selectman

Cc:

Senator Witkos  
Representative Simanski  
Board of Finance  
Board of Selectmen  
Superintendent Linton  
Superintendent Palmer



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

August 7, 2017

Dear Selectman Stein,

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.

BARKHAMSTED

General Fund

	<u>Total Fund Balance</u>	<u>Unassigned Fund Balance per GASB 54</u>
FY 15 Actual	1,649,341	1,394,341
FY 16 Actual	1,475,691	1,275,691
FY 17 Estimated	1,400,000	1,168,000
FY 18 Projected (based on adopted municipal budget)	1,168,000	1,000,000

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: Spencer Moore, Accounts Payable And Receiveable Clerk  
Michael Izadi, Office of Policy and Management  
Kerry Kelley, Office of Policy and Management