

Town of

Mark C. Nickerson
First Selectman
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East Lyme

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

August 16, 2017

Dear Secretary Barnes:

As requested, we have noted our FY 17 estimated and FY 18 projected (based upon how our budget was adopted) fund balance information.

In recent years, the Town of East Lyme has taken budget savings measures to reduce our spending. The areas we face our largest increases are with wages, health insurance and pension expenditures. These are all fixed costs. In all other areas our department heads have done an excellent job in holding the line and doing more with less. Some of our budget savings items include streetlight purchase which will reduce municipal spending at the end of seven years by 33% in that budget account, through collective bargaining we modified our transfer station operating hours saving overtime in the amount of \$20,000. In addition, I took a \$15,000 salary reduction by way of example to our employees and residents. In the last few years we have budget savings due to attrition and we have not hired a replacement Highway Superintendant working on having existing staff members pick-up those duties. Despite us working on ways to reduce our budget, we are always pressed with existing and new "unfunded" state mandates.

Next, I must express concern regarding your inquiry as to our fund balance. As you know, fund balance is established by way of the cumulative effect of operating results. Please note East Lyme does not have a rainy day fund. Fund balance also serves as a basis of cash flow. Taking a review of fund balance history and the first sixty days of expenditures in our fiscal year, our fund balance is roughly one half of this amount. In an analysis of cash flow, on a month by month basis we experience deficit operations in nine out of twelve months. Our end of fiscal year cash balance is typically in the six million dollar range. While July is a large revenue month for us collecting tax dollars, 48% of those receipts come in during the last week of the month. In addition, we have a \$4.4 million dollar debt service payment due in mid-July prior to having the majority of our tax dollars in the bank.

Due to the uncertainty of the State budget, during the budget process we built in an additional \$300,000 in tax revenues with the understanding our Town and Board of Education would make up an additional \$300,000 budget spending reductions. At this time, we have frozen spending in the Town Aid Road budget account awaiting resolution to the State Budget crisis. As you know, PILOT funds are normally paid in the month of September which means \$902,539 to East Lyme. The amount East Lyme receives in PILOT funds is less than 25% of what we would levy to the average Tax Payer with similar properties. In the past the first installment of Education Cost Sharing funds are disbursed in October, which means \$1,761,027. The combination of these two payments of \$2,663,566 equates to one month of Board of Education wages

In closing, I urge the State lawmakers to close this budget gap as promptly as possible holding cities and town harmless for the 2017/18 fiscal year. If cities and towns must take reductions, I urge State lawmakers to come up with a multi-year phase in plan and provide us with this information so we can plan for this during our budget process. The longer State lawmakers take to adopt a 2017/18 State budget, the less time cities and towns will have to adopt to any necessary budget changes within the current fiscal year.

Sincerely,



Mark C. Nickerson
First Selectman



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

August 7, 2017

Dear Selectman Nickerson,

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.

EAST LYME

General Fund

	<u>Total Fund Balance</u>	<u>Unassigned Fund Balance per GASB 54</u>
FY 15 Actual	6,020,370	5,183,376
FY 16 Actual	5,893,895	5,149,384
FY 17 Estimated	6,085,729	5,273,841
FY 18 Projected (based on adopted municipal budget)	5,621,638	4,823,841

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: Anna M. Johnson, Director Of Finance
Michael Izadi, Office of Policy and Management
Kerry Kelley, Office of Policy and Management