



ESTABLISHED 1659

**CITY OF NORWICH**  
CONNECTICUT

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Michael Izadi  
Budget Division  
Office of Policy & Management  
State of Connecticut  
450 Capitol Avenue  
Hartford, CT 06106-1379

SENT VIA ELECTRONIC MAIL TO [michael.izadi@ct.gov](mailto:michael.izadi@ct.gov)

Dear Mr. Izadi:

This letter is in response to Secretary Barnes' letter dated August 7, 2017 regarding the fiscal health of municipalities and the impact of the state budget impasse.

**Fund Balance Data for the General Fund of the City of Norwich**

Fiscal Year	Total Fund Balance	Unassigned Fund Balance per GASB 54
<b>2014-15 Actual</b>	10,399,000	10,192,000
<b>2015-16 Actual</b>	14,879,000	14,652,000
<b>2016-17 Estimated</b>	16,679,000	16,279,000
<b>2017-18 Projected (based on adopted budget)</b>	16,679,000	16,279,000

The City of Norwich adopted a fund balance policy in December 2014 which set a target range of 12 – 17 % of Unrestricted Fund Balance (UFB) and specified when it is appropriate to use UFB. The City reached the target minimum of 12% in fiscal year 2015-16 primarily because of a substantial increase in property taxes collections resulting from commercial personal property assessment audits. The general fund will have an operating surplus of approximately \$1.8 million in fiscal year 2016-17 primarily due to strong property tax, conveyance tax, and sewer assessment collections.

The City of Norwich's adopted 2017-18 general fund budget assumed generally the same level of municipal aid from the State of Connecticut as 2016-17 for most grants. The City assumed a \$200,000 increase in the PILOT for State-Owned Real Property and a \$390,000 increase in the MRSA Additional Sales Tax Fund grant. The City also assumed that the ECS and Special Education grant funding and

formulae would be the same as 2016-17, the motor vehicle tax cap would remain at 37 mills, the real estate on private hospitals would remain tax-exempt, and the City would not be required to contribute to the Teachers Retirement Board.

## Impact of Budget Impasse on City's Operations and Finances

The City has taken many measures to contain costs and responsibly fund its pension and OPEB liabilities over the past several years. The uncertainty from the budget impasse frustrates these efforts.

### Non-Education Departments

The budget impasse has impacted the City's non-education departments and finances in the following ways.

1. The City delayed the due date on motor vehicle taxes from July 1<sup>st</sup> to October 1<sup>st</sup> in the hopes that the State would adopt a budget and set the motor vehicle tax cap sometime between July and September. Assuming a motor vehicle rate of 37 mills, the City would have collected approximately \$5 million in motor vehicle taxes between July 1, 2017 and August 31, 2017. Billing and collecting these taxes later will certainly result in less collections during this fiscal year.
2. The Town Aid Roads and Municipal Revenue Sharing for MV tax grants are normally slated for payment during August which is another large impact to the City's cash flows.
3. The estimated loss in interest revenue from 1. and 2. during the months of July and August is \$6,000.
4. Certain positions that are funded in the 2017-18 budget are being left vacant while other positions that were cut in the budget and are likely to result in layoffs are temporarily left in place. The uncertainty from the budget impasse is very detrimental for morale and management of departments – especially since the City has been adjusting staffing levels for the last 15 years. Since fiscal year 2001-02, the City has reduced its non-education workforce by 17% and most of these reductions have been in the non-public safety departments.

### Norwich Public Schools

Norwich Public Schools (NPS) is a Priority School District and an Alliance School District. Because of these sources of funding and other State & Federal grants, nearly 50% of the staff of NPS are paid from State and Federal grants. Norwich is arguably the most impacted community from the activity at the two tribal casinos due to it being the closest urban center to them. The casinos have brought a lot of economic activity and revenues which are enjoyed by all of the municipalities of the State of Connecticut, but they have also brought a lot of students with a variety of socioeconomic, learning, and language challenges into NPS. In addition, NPS is one of the few districts in the State with enrollment that is projected to increase. NPS does not have our own high school so we have to pay many varied and uncontrolled tuitions for high school programs for our students. Tuitions to Norwich Free Academy, our designated high school serves the majority of our high school students and these tuitions account for approximately 1/3 of our municipal budget allocation for education. Our increasing special education population accounts for the other 1/3 of our municipal budget allocation for education.

NPS will be entering the new school year with many uncertainties.

1. Several positions are being left unfilled until there is more certainty about school funding.

2. The reduction or elimination of Norwich's Priority School District funding would make full-day kindergarten nearly impossible to deliver as these funds support nine kindergarten teachers and several interventionists.
3. The reduction or elimination of Alliance District funding would cause NPS to eliminate and several certified staff, many of whom provide mandated services such as bilingual education.
4. Summer school was cancelled this year because of the uncertainty of grant reimbursement for this program.

### Contingency Plans

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The City will proceed cautiously on other hirings and projects until the State adopts its budget. The City used State revenue estimates that were on the conservative end of the spectrum in developing its 2017-18 adopted budget and many cuts were made during the adoption process. If the State ultimately adopts a budget with grants to Norwich that are less than the estimates included in the 2017-18 budget, the City Manager and City Council, depending on the severity, should be able to deal with those shortfalls by making midterm cuts, absorbing them with General Fund UFB, or a combination of the two.

Please do not hesitate to contact me if you have any questions.

Sincerely,



John Salomone  
City Manager