



# TOWN OF STONINGTON

SELECTMAN'S OFFICE  
ROB SIMMONS  
FIRST SELECTMAN

152 Elm Street • Stonington, Connecticut 06378  
(860) 535-5050 • Fax (860) 535-1046  
[rsimmons@stonington-ct.gov](mailto:rsimmons@stonington-ct.gov)

August 17, 2017

The Hon. Benjamin Barnes  
ATTN: Michael Izadi  
Office of Policy and Management  
450 Capitol Avenue  
Hartford, CT 06106

Dear Mr. Barnes:

*Ben:*

Thank you for your letter dated August 7, 2017 requesting fund balance information for the Town of Stonington for the 16/17 and 17/18 fiscal years. That specific information is attached on the form you provided.

The 16/17 figures are an estimate at this point as the Town is still in the process of closing its books on the 16/17 fiscal year. And in accordance with your request the 17/18 projected balance is based strictly on the 17/18 budget figures but with a projected estimate of anticipated "use of fund balance" to finance operations in the 18/19 fiscal year.

In addition to the specific information requested I would like to use this opportunity to convey my concerns over the Governor's revised proposed 2018-2019 Biennium budget, and loss of funding under the Governor's Executive Order Resource Allocation Plan Fiscal Year 2018, dated June 26, 2017.

The Town's Boards of Selectmen, Finance, Education as well as our fiscal managers are well aware of the economic stress that the state and certain urban municipalities are facing in this economic climate. But the Town of Stonington is not without its own economic challenges that we feel compelled to bring to your attention.

## **SCHOOL CONSTRUCTION COSTS**

One of the most significant economic challenges Stonington faces at the moment is simultaneously funding the complete renovation of our two elementary schools – the Deans Mill School outside Stonington Village and the West Vine Street School in Pawcatuck Village. These two K-5 schools were built in the mid nineteen-sixties and the Town has done everything possible to extend their useful lives up until this point. But the time has come where the Town has to put more money into its infrastructure. The Town is faced with bonding \$52 million dollars over three years to finance these two projects which is the biggest bonding project in our history.

The Town's 17/18 fiscal year budget has already seen the effect of the first round of bonding, in which the Town appropriated approximately \$1.6 million of fund balance to service this new debt in 17/18. Furthermore, the Town will be bonding the second round of financing for the school projects this fall which will have an approximate \$2,000,000 impact on debt service and is projected to be financed from fund balance in the 18/19 fiscal year. The final round of bonding for the two school projects is scheduled to occur in the fall of 2018 and is estimated to have about a \$1.9 million impact on the Town's 19/20 budget, some or all of which is projected to be financed from unrestricted fund balance.

The reason I tell you all this is to explain why the Town has a relatively high percentage of fund balance compared to other Town's in Connecticut. Over the past sixteen years the Town's bipartisan Board of Finance has had the foresight and fiscal restraint to plan ahead for this big bonding event. By promoting tight and sometimes painful operating and capital budgets leading up to the present, Stonington has been able to build a fund balance adequate to offset the significant impact these two school projects are having on the Town. I say adequate. We are not talking about lavish new building projects. We are talking about renovating two pre-existing buildings that have served us for many years.

## **PROTECING OUR BOND RATING**

Another benefit of building fund balance over the preceding years has been to allow the Town to improve its bond rating from AA3 only a decade ago to its current rating of AA1. This conservative approach to fiscal management will yield long-term savings for the Town for decades to come if it is allowed to continue. As part of that plan the Town adopted a fund balance policy of requiring at least two months of operating expenses to be available from unrestricted fund balance. This alone requires that we maintain unrestricted fund balance of at least 16.67% of budgeted operating expenditures, and this policy was instrumental in the Town achieving its AA1 bond rating. This is turn got us a very good interest rate on the sale of our school bonds. Moody's recently commented that the Connecticut budget impasse creates a "credit negative for local governments" and the Town's Municipal Financial Advisor has advised us that although seemingly high for Connecticut the national average is closer to 25%, and that is one of the metrics we are

measured against. Our Advisor further suggested that any decrease to the Town's fund balance will undoubtedly weigh against when we bond this fall for the school projects. We agree and we urge the state not to take any action against our fund balance that places our current bond rating at risk at this critical time.

### DEFERRED MAINTENANCE OF SCHOOLS & PUBLIC WORKS

While on the subject of our schools, the Stonington Board of Education recently published a list of deferred capital maintenance projects that total over \$10 million dollars. The whole point of having a reserve is so that we can respond to the failure of aging equipment, old buildings and deteriorating ground facilities. We understand that the State of Connecticut has a constitutional responsibility to guarantee public education for its children and youth. But we implement that responsibility at a municipal level and consider it a special trust. We cannot play our role, however, if our financial plans are disrupted by state compelling us to pay a share of the State's funding commitment to Teachers' Pensions.

I mentioned that the Town has spent a number of years preparing for our school bonding projects, which is a good thing. At the same time, we have been underfunding other capital needs of the Town such as highway equipment, road repairs and bridge replacement. Currently the Town Engineer has three bridges undergoing assessment for repair or replacement; and we have earmarked some of our reserves for these purposes as well. Failure to repair or replace bridges constitutes a public safety issue for the Town and neighboring municipalities like Groton, CT and Westerly, RI. Town Aid Road and LOCIP funds that were once used for significant improvements to Town infrastructure are now needed just to keep up with repairs and maintenance of existing infrastructure. Any loss of those funds would have a dramatically negative infrastructure in the Town.

### DEFERRED BUT VITAL CAPITAL PROJECTS

The Town has submitted the requested fund balance information in the format requested [See the Town's projected unassigned fund balance at 06/30/18 of \$11,269,965 in the attached document], but what those fund balance figures do not illustrate are a score of overdue but vital capital projects the Town has been struggling to fund while protecting its **required** two months' worth of fund balance reserve. Below is just a partial list of impending projects that, though not budgeted for in the 17/18 fiscal year budget, will likely need to be funded this fiscal year through additional appropriations. Or, at the very least, they will have to be funded in the following year. The Town is currently triaging these projects to determine which require immediate action versus what can be put off for one more year. The following is just a partial list of major capital projects the Town can expect to undertake in the current or succeeding fiscal years which have yet to be appropriated.

- \$800,000 to replace failing police department communications center.

- \$1,000,000 to replace failing roof at the Mystic Middle School.
- \$100,000 to replace outdated Emergency Operations Center generator.
- \$180,000 to replace an underground fuel tank at the Town Dock which services the Stonington fishing fleet.
- \$150,000 for a flood zone study of the Pawcatuck section of town which is vital for the redevelopment of the area.
- \$100,000 for hurricane barrier study for the Pawcatuck section of town which is vital for the redevelopment of the area.
- \$50,000 for major repairs to the existing dike system currently protecting the Pawcatuck section of town.
- \$400,000 for the development of a Townwide sea level adaptation plan.
- \$565,000 of equipment for three WPCA plants to keep them functioning.

The specific projects listed above valued at \$3,345,000, along with the \$1.9 million dollar hit to fund balance anticipated in fiscal 18/19 to finance school bonding debt service, along with an as yet unknown cost to repair or replace the three bridges referred to earlier, could very well cut the projected unreserved fund balance of *\$11,269,965 as of 06/30/18* in half practically overnight. Any use of Stonington's fund balance to offset state aid cuts would significantly impair the Town's ability to safeguard the Town's asset, properties and population.

### **COASTAL EXPOSURE TO STORM DAMAGE**

Another unique characteristic Stonington shares with only one other Town in the state of Connecticut is its exposure to the Atlantic Ocean and the havoc it can wreak in a time of increasingly violent storms. Having such a vulnerable coastline requires that the Town maintain adequate levels of financial resources to be able to react to natural disasters such as Hurricane Sandy in 2012. For example, we self insure the Town Dock which is host to the State's last fishing fleet. And we have requested funds to repair the South Pier which was damaged several years ago. Loss of state funds not only prevents us from repairing this entity, and the Stonington Harbor Breakwater, but it makes us even more vulnerable to the effects of future storms.

### **STATE MANDATE RELIEF**

A recent editorial in The Day properly stated that "municipal relief must accompany state cuts." If, in fact, cuts are inevitable, the state has an obligation to release its municipalities from some of the onerous mandates under which we have struggled for years. For example, our two school projects are currently on contract and under way. Yet, we could have saved millions of state and municipal dollars if we did NOT have to pay the prevailing wage. On another level, we have been in arbitration on a labor suspension for almost two years which has cost the town hundreds of thousands of dollars. Yet, the state gives us no relief from this ridiculously slow process. Also, for years our schools have

been held to a Minimum Budget Requirement [MBR] even though enrollments have declined. Then there is the issue of collective bargaining. And the list goes on.

On closing, I note that the Governor was recorded in The Day this week singling out the fund balance of the Town of Stonington and comparing it to the City of New London. This is not right. These are two very different municipal entities with very different problems. We support any and all efforts to help Mayor Passaro and the City of New London with its issues. We expect the same approach to apply to us. We are not in competition with any other entity. The Governor should not make it look like that is the case. He should not place one municipality in conflict with another.

On that point, I must emphasize that the Town of Stonington has been responsible over the years in developing a bond rating and financial reserves that we designated for our two schools, public works and other capital projects in anticipation of current and future expenses. We have shown a disciplined approach to the budget and we should not be penalized for it. Raiding these funds to support other municipalities is not just unfair. It is tantamount to theft. We should not be penalized for exhibiting foresight, 'belt tightening' and fiscal responsibility. Rather, the responsible approach we have taken should be promoted as an example for other towns to use as well. It should be rewarded by the state. Anything less is just not good public policy.

All the best,

Robert R. "Rob" Simmons,  
First Selectman

Attachment: a/s



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

August 7, 2017

Dear Selectman Simmons,

On August 2<sup>nd</sup>, 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.

STONINGTON

General Fund

	<u>Total Fund Balance</u>	<u>Unassigned Fund Balance per GASB 54</u>
FY 15 Actual	13,971,325	13,540,162
FY 16 Actual	15,189,339	14,334,927
FY 17 Estimated	16,463,265	13,949,965
FY 18 Projected (based on adopted municipal budget)	14,569,965	11,269,965

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](mailto:michael.izadi@ct.gov) by August 16, 2017.

Sincerely,

Benjamin Barnes  
Secretary

Cc: James Sullivan, Director Of Finance  
Michael Izadi, Office of Policy and Management  
Kerry Kelley, Office of Policy and Management