

# **State of the Town**

**January 29, 2018**

**by First Selectman Mike Tetreau**

Good evening. Thank you Mr. Moderator, members of our Board of Selectmen, members of our Board of Finance, members of our Representative Town Meeting, our State Delegation, other elected officials and members of the public for this opportunity to provide you with an update on our Town.

This is my seventh State of the Town Address. There is so much to say. This has been one of the more challenging years in recent memory. Our Town is financially strong and economically vibrant, but the trends at the State and Federal levels are having an impact. So I am going to take a different approach this year. In the past, I have reviewed all the accomplishments from our various departments. We have accomplished a lot this past year in many areas and I will cover these achievements at another time.

This year I am going to provide updates on the State Budget, Property Taxes and Economic Development.

## **State Budget**

It has been a real roller coaster ride this year following the State Budget discussions and the projected impact on the Town. The State Budget was passed in October. It included about \$4.7 million in Municipal Aid for the Town of Fairfield. This amount is 50% less than just 24 months ago. In the post budget adjustments, Fairfield was cut by almost another \$1 million – most of this adjustment coming as a reduction in Payment In Lieu of Taxes (PILOT) funding. PILOT funding has historically come from the State to make up for the fact that Fairfield University and Sacred Heart University do not pay property taxes to the Town. This is also the first year we will be losing almost \$2 million in property tax revenue from GE.

The State Budget is reported to currently have a \$220 million shortfall in revenue. We are waiting to see what adjustments or cuts are made to plug this gap.

Historically, Municipal Aid is one of the larger categories in the budget that the State has looked to cut to fund shortfalls like this one.

We are managing through these cuts with a combination of initiatives: a strategic hiring freeze, selected hold on capital projects, use of funds in certain reserve accounts including our prior year surplus, and a new Firefighters' contract that had zero raises this year. Thank you to our Department Heads who are also going without a raise this year.

### ***New Unfunded Mandates***

The Town's financial relationship with the State continues to change as we see additional unfunded mandates included in the new budget. The Rental Reimbursement program for the Elderly and the Disabled provides about \$100,000 to Fairfield residents. This year, after the State sent out rental reimbursement checks, the State informed the Town that it would be withholding 50% of that amount, or \$50,000, from our Educational Cost Sharing funds to help pay for the program.

There is also a Property Tax Credit program the State offers to Elderly and Disabled persons. This program provides about \$414,000 in support to those who qualify. The Town provides the credit in the June tax bills. This year, the State informed us that we will not be getting our reimbursement. The State didn't eliminate the program—just the reimbursement to our Town.

I want to make it clear to our elderly and disabled residents who count on these credits that the Town of Fairfield will not let you down. We will fund these important programs despite the lack of State support.

As many of you know, the State spent over \$10 million dollars on building a new, larger, more costly Regional Fire Training facility in Fairfield. In this State Budget, the first one after completion of the facility, the operating budget support of \$70,000 for the facility was eliminated. I will continue to work with our Fire Chief and our State Delegation to get this funding restored. This State project should not be an obligation left to our taxpayers.

Historically, we have received some State support for the financial costs or investment for education in our school operating budget in the form of Educational Cost Sharing (ECS) funds.

Just 24 months ago, we received \$3.5 million annually. In this budget, that amount has been cut to less than \$1 million. This cut represents almost a 1% property tax increase due to lost revenues.

One of the biggest challenges this past year was the fight against the State transferring teachers' pension costs to the Towns. In Fairfield's case, it was proposed that we pay \$9 million to the State. I was one of the leaders working with other First Selectmen and Mayors in fighting against this transfer. I want to thank our State Delegation for keeping this cost transfer out of the final budget.

### ***BOE Impact***

There is some good news. While the ECS aid goes into the Town's General Fund revenues, the Board of Education does receive other funding from the State. One source of revenue is for Special Education Excess Costs. We historically have received an amount in the range of \$3.3 million. We were concerned this funding was at risk. However, it appears this year, the BOE will receive closer to \$4.0 million in aid. While this is an increase, it is not truly extra money since it is a reimbursement for the additional excess costs that the BOE incurred.

In another category, the BOE was concerned that the State would stop funding residential support for our special need students. This funding is worth about \$1 million per year. Fortunately, the State has continued this program.

### ***Federal Tax Law Changes***

We also have a new set of Federal Tax law changes. It is not clear what the impact to everyone here in Connecticut will be. I am hearing from several business owners that they may see a real positive impact due to the lower tax rates. I am also hearing concerns from realtors about the possible negative disruption in the real estate market.

The new State and Local Tax or SALT treatment is an obvious concern. I have asked our tax attorney to explore the possibility of setting up a local charitable trust as an approach to continue to allow an IRS deduction for property taxes. There are several towns in New Jersey and a few others in Connecticut that are also exploring this option. It will take special enabling legislation from the State and I will work with our State Delegation on this endeavor. I am also talking with the Connecticut Conference of Municipalities (CCM) to get its support.

We hear a lot about the challenges facing our State. The need for billions in transportation improvements and upgrades is certainly one area. What many people don't realize is that Connecticut is a donor state to the Federal Government. We give much more in revenue to our Federal Government than we receive back in aid. In fact, on a per capita basis, we are ranked third in contributions given. We rank 33<sup>rd</sup> in per capita funding from the Federal Government.

The lack of a county government structure accounts for two-thirds of the missing dollars. I am working with MetroCOG, our regional planning group, on applying for an economic classification that will give MetroCOG a status equivalent to that of a county to help us qualify and apply for these funds. We want to bring these missing federal funds back to our State.

## **Property Taxes**

Our Town is in very strong financial condition. We are one of the few Towns in the State with a Aaa rating from the three major credit rating agencies. Our pension is funded at 90%. We are making 100% of our retiree medical (OPEB) annual recommended contributions. We have a strong Fund Balance reserve.

In addition, we have the fifth lowest Mill Rate in Fairfield County. Darien, New Canaan, Westport and Greenwich are the towns with lower Mill Rates. Towns like Weston, Wilton, Ridgefield, Redding, Easton and Trumbull all have higher Mill Rates.

### ***Westport Comparison***

The question I often get asked is "Why does Westport have a lower Mill Rate?"

Let's review some history. Twenty years ago, Fairfield and Westport had similar Mill Rates. Fairfield was in the 25 Mill range and Westport was in the 23 Mill range. Fast forward 20 years. Fairfield is still in the 25 Mill range, but Westport has dropped to the 16 Mill range. What happened?

Let's look at expense budgets. Did Westport stop spending or cut expenses in areas that Fairfield didn't? No.

In fact, Westport's expense budgets grew at a higher percentage over this time period than Fairfield's did. Westport is spending more money.

What Westport did was grow its Grand List - the total amount of assessed property in Town. Twenty years ago, Fairfield had a Grand List valued at about \$4 billion and Westport had a Grand List valued at about \$3 billion. Move ahead 20 years and Fairfield's Grand List has grown to about \$10.8 billion. However, Westport's Grand List has grown to over \$11.2 billion. Westport has only half the population that Fairfield does so this is a large increase in Grand List dollars per capita or per resident.

This growth in Grand List dollars has allowed Westport to spend more in expenses per capita to fund the same Town services and yet still lower its Mill Rate.

There is a similar story for Darien, New Canaan and Greenwich. They each grew their Grand List faster than Fairfield did.

The lesson here is that we cannot get to a lower Mill Rate by just cutting expenses. Fairfield costs per capita for providing Town services is lower than the four towns with a lower Mill Rate. Cost of Service per capita is one of the key indicators demonstrating our efficiency in service delivery.

It is the quality of our school system that is most often given for the reason people and families move to Fairfield. We have a strong commitment to quality education. We invest 65% of our budget every year in our school system. Even though that is our largest expense, in a recent survey, Fairfield ranked 89<sup>th</sup> in the State out of 169 towns in spending per pupil. Certainly being ranked in the bottom half of the State is not our goal. While some question whether this is the best ratio to measure investment in education, there are not many others to choose from. Prospective buyers evaluating our Town do use this ratio as a guide to the ongoing commitment to quality education.

Only looking to cut costs leads to cutting services. We don't want Fairfield to lose its value. We want Fairfield to grow in value.

We can and will continue to improve our cost management. This past summer, I asked our Department Heads to survey three other towns to look for ways to improve in services, costs and revenues.

We have a commitment to giving our residents the best value and the best practices. The Department Heads came back with close to \$2 million in cost savings and revenue.

We are looking to share services with neighboring Towns to achieve cost savings and improve service levels. We have a collaborative effort with 14 other Towns to save us over \$400,000 per year on solid waste management. We have an effort underway to combine ECC (911) Operations with Westport. It would mean moving our Call Center to the Sacred Heart GE campus. This would move it out of a basement in the flood zone and save our Town substantial moving and fit up costs. Thank you to Sacred Heart University for your support and your efforts to save our Town money.

### ***Fairfield's Grand List***

It is clear from these four other town examples that to control our Mill Rate growth, we need to grow our Grand List.

The four towns I reviewed grew their Grand List by primarily growing their residential base. They built large homes on large properties. We need to look at growing our commercial tax base. We do not have a plentiful supply of available land in residential neighborhoods. Adding residential homes also adds higher service costs. As an example, 65% of our operating budget goes to fund education.

Only 4.5% of Town land is currently zoned for commercial use. However, it does generate 10% of our tax revenue. This is a very productive use. We have over a 90% occupancy rate.

There are only two primary ways to grow our commercial tax base - either expand our commercial land area or add value to the current land area. Do we look to expand our commercial zones to 5% or 5.5%? Do we look to increase the value of existing commercial zones? Do we look to allow greater density with five or six or even seven-story buildings in certain zones? Two recent projects bringing in new tax dollars are the Trademark mixed use project and the OSG medical facility which is reinventing the way medical care is delivered. Both are located near the Fairfield Metro train station.

The key to any approach is to maintain our Town's charm and character. We need to be strategic and targeted with any commercial zone changes. We need to protect our heritage in downtown Fairfield, Southport Village, our historic districts and our residential neighborhoods.

Much has been made of Millennials and their desire to move to urban environments. We are now starting to see the next trend - Millennials marrying, starting families and looking for high quality school systems. This means they are beginning to look at towns in Fairfield County.

Fairfield has a strategic advantage that appeals to this demographic group of young families. We are the one Town in Connecticut where you can live within walking distance of the beach, downtown and the train. Walking means less traffic and less congestion. TOD or Transit Oriented Development means building near train stations/transit centers which leads to less traffic and less congestion.

The Town Plan and Zoning Commission (TP&Z) has a more important role than ever in shaping this future growth. However, it is crucial that we all work together to shape Fairfield's future.

## **Economic Development**

We have more initiatives underway than ever before to move our Town forward.

Our Economic Development Commission recently completed a Long Range Plan. This Plan covers a wide range of actions to guide process improvements. This includes working closer with our two universities which provide a definite competitive advantage over other Towns. Mark Barnhart, our Economic Development Director, is engaging business leaders and other stakeholders in developing a marketing plan to retain and attract businesses to Fairfield.

Fairfield has joined the Fairfield County 5. This is a multi-town economic development initiative led by Fairfield, Westport, Norwalk, Stamford and Greenwich. We are targeting Tri-State businesses to sell them on the benefits of locating to Fairfield County. We are working together on marketing initiatives including business recruiting presentations in New York City.

Fairfield has a Strategic Plan Committee to lead the development of an overall Strategic Plan. This will engage our community stakeholders in developing guidelines and values for our Town over the next 5, 10, 15 years.

Our Town Plan and Zoning Commission is looking to update our Plan of Conservation and Development (POCD). This Plan is the foundation for strategic and targeted development while maintaining the character and charm of our Town and neighborhoods.

## **In Summary**

- Fairfield has significant challenges ahead with reduced Municipal Aid and reduced State education funding. The State and Federal government are redefining relationships with our Town.
- Fairfield is in a Strong Financial Position to weather these fiscal storms. We still need to work hard to manage our costs without hurting key town services and programs.
- In order to control the Mill Rate growth, we need to grow our Grand List in a strategic and thoughtful manner.
- At a recent presentation to our Chamber of Commerce, John Traynor, Executive Vice President at People's United Wealth Management, stated, "Fairfield is the model for the rest of Connecticut".
- Working together, we will make Fairfield a leader in moving Connecticut in the right direction.

Thank you.