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TEST: *Cheryl R. Larder*
TOWN CLERK

Robert Brule, First Selectman
Town of Waterford
15 Rope Ferry Road
Waterford, CT 06385

Re: Town Surplus

Dear Rob:

Following is the letter we discussed regarding my inquiry as to why it has been suggested that the use of a portion of the Town's Unassigned Fund Balance ("surplus") to pay down Town debt is a bad idea, or not recommended.

The Town's appropriating boards (Board or Selectman, Finance and RTM) have passed multiple uses of surplus as additional appropriations over the last two (2) years, \$1.8 million for roads in fiscal year 2021-2022 and more than \$3 million so far in fiscal year 2022-2023. Despite this, the surplus remains at a level significantly over (almost double) the amount recommended in the Board of Finance's Fund Balance Policy.

I have commented on more than one occasion (certainly to the annoyance of some) that I believe we, as elected officials, have a responsibility to return some of this surplus to the taxpayers (who have contributed to it) in real time, in a way that can be immediately felt/appreciated by the taxpayer.

As we discussed, because departments are preparing budgets eighteen (18) months into the future, there continue to be significant amounts returned to the general fund at the end of each fiscal year, which in turn contributes to the continuing high surplus. No one advocates a "use or lose" policy and the return of unused appropriations to the general fund at end of the fiscal year is undoubtedly appreciated.

I understand your suggested moratorium on capital projects in the coming year due to the fact that the Town has many approved and funded capital projects that have not been completed and still will take the next several months or longer to complete. I agree, why tax residents for capital project that cannot be completed in the near term.

I am less convinced that the plan to fund certain capital projects over the next five years from surplus will address the continuing high level of surplus or provide a benefit that taxpayers will feel in an appreciable way in the near term. Looking at the Town Accountant's report of the Status of the General Fund Unassigned Balance dated March 8, 2023, the Town applied additional appropriations through February 28, 2023 in the amount of \$3,125,236 but had projected revenues in *excess* of budgeted of \$3,137,574. Effectively an additional surplus of \$12,338 (not including any funds that may be returned by departments at the end of the fiscal year, of which there are sure to be some).

I understand there is strong opposition to the use of surplus to fund the Town budget being approved for the next fiscal year, due to the possibility of it creating a potentially false baseline budget and inflate the tax increase in subsequent years. I have suggested in conversation with other individuals that if we targeted a specific surplus to be applied to budget over a series of years, perhaps that would allay the fear of a drastic inflation of taxes in the subsequent year but there seems to be no room for agreement on this approach.

So, why not pay down debt principal? A paydown of debt principal would have a continuing benefit year after year. Why do we continue to pay debt, and charge taxpayers additionally to pay on debt, when we have their money already to pay it down?

I will appreciate your obtaining an opinion of whomever you or Town counsel deem appropriate, of why it would not be beneficial to pay down the Town's debt with surplus. I think an hour or two of counsel's time, including bond counsel if necessary, would be appropriate if this can lead to any tax relief for our constituents.

Thank you in advance.


Cheryl R. Larder
First District RTM