

**COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH**

**FISCAL STABILITY PUBLIC HEARING**

**MEETING MINUTES**

**TUESDAY, JANUARY 23, 2018**

**12:00 P.M. - 4:00 P.M.**

**ROOM 2D OF THE LEGISLATIVE OFFICE BUILDING**

**I. CONVENE MEETING:**

Meeting was called to order at 12:05 PM by Co-Chairman Jim Smith.

The following Commission members were present:

Robert Patricelli (Co-Chair), James Smith (Co-Chair), Pat Widlitz (Vice-Chair), Cindi Bigelow, Greg Butler, Paul Mounds, Michael Barbaro, Bruce Alexander

Absent was:

Frank Alvarado, David Jimenez, Jim Loree, Chris Swift, Roxanne Coady, Eneas Freyre

Chairman Smith thanked the presenters for volunteering their time to better inform the commission of their professional opinions on how to make the state more economically competitive by means of creating fiscal stability within the state. He reminded speakers to please carefully focus on summarizing their main points and being respectful of the members' time as final recommendations must be made by March 1, 2018. He further explained that today's meeting will be focused on Connecticut cities and towns and what role they must play in creating economic growth and fiscal stability in the state.

Mr. Smith then introduced and commended Mayor O'Leary of Waterbury on a job well done as an extraordinary public servant. He explained that Mayor O'Leary has had success in the areas of safety, economic development, and is proof that you can propel a city forward during challenging times.

**II. REMINDER OF PUBLIC REMARKS OPPORTUNITY:**

Co-Chairman Smith reminded members of the public that they can submit their comments in writing at any time to [fintestimony@cga.ct.gov](mailto:fintestimony@cga.ct.gov). He further explained that members of the commission will give all comments consideration as they deliberate and prepare their final report prior to their March 1, 2018 deadline.

### III. CONNECTICUT COUNCIL OF SMALL TOWNS (COST):

Link to document provided by COST for the meeting are provided below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/COST%20Presentation.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/COST%20Presentation.pdf)

Betsy Gara (COST Executive Director) and John Elsesser (Coventry Town Manager) provided a presentation to the commission concerning the current challenges and issues municipalities across the state are facing during these tough economic times. The issues discussed included:

- fiscal uncertainty on the local level caused by Connecticut's ongoing budget challenges
- cuts in municipal aid which have resulted in property tax increases
- uncertainty regarding transportation funding and other municipal aid which has jeopardized projects that are critical to local economies
- elimination of SALT deduction on federal level/additional pressure on property tax levels
- fiscal uncertainty affecting municipal bond ratings, triggering higher borrowing costs
- ways to position towns to address fiscal uncertainty- give towns the tools to control local expenditures
- facilitating the consolidation of non-educational expenditures
- the facts behind regionalization and shared services programs which in many cases is already occurring
- PSAP Consolidation- benefits and challenges

Following their presentation a question and answer period as detailed below took place between commission members and the presenters.

Co-Chairman Smith asked what the top 3 structural changes COST would suggest are in order to make towns more efficient.

Mr. Elsesser answered:

- modifying the collective bargaining process
- In regards to PSAP there is a large capital expense associated with it. Help in assigning equipment and frequencies at a state wide level would be helpful.
- Providing state mandate relief to towns would be helpful

Mr. Mounds questioned the percentage of town's budgets that are made up from state funds. Ms. Gara answered that that the amount depends on the size of the town. She elaborated that small towns do not receive much assistance yet they are still subject to state mandates.

Mr. Butler asked for a cost analysis to be done regarding savings that would be made if the suggested consolidations and shared services took place.

Mr. Barbaro engaged in a discussion with the presenters regarding any suggestions they may have on the growth side of the economy in an effort to increase the tax base throughout towns. Ms. Gara and Mr. Elsesser both commented that there are obstacles to growth in the state starting with public policy that has been created on the state level which has created an unfriendly

business environment. Mr. Elsesser commented that for example it can take two years for a local Dunkin Doughnuts to receive permits to have a well on the grounds of their business.

#### **IV. CONNECTICUT CONFERENCE OF MUNICIPALITIES (CCM):**

Links to documents provided by CCM for the meeting are provided below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM%20Presentation.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM%20Presentation.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM%20Presentation%20\(2\).pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM%20Presentation%20(2).pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM-School%20Finance%20101.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM-School%20Finance%20101.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM-School%20Finance%20Project%20Funding%20vs%20Student%20Needs-Report.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CCM-School%20Finance%20Project%20Funding%20vs%20Student%20Needs-Report.pdf)

Mayor O’Leary and Joseph DeLong (Executive Director- CCM) engaged in a conversation with commission members regarding several key areas that CCM believes the commission should consider when putting together its final report. These areas included pension liability, collective bargaining, fragmentation, unfunded mandates from the state of Connecticut, state/local responsibilities, an examination of state revenue, transportation, and the state’s workforce. In addition Mayor O’Leary also explained how the City of Waterbury restructured its finances 15 years ago as the city was facing tough economic times. According to the mayor beginning in 2000/2001 the City of Waterbury, via the powers of the state oversight board, has implemented key structural changes to end the cycle of ever growing pension and OPEB costs and associated liabilities. He went on to explain that additionally, budgetary development policies were implemented to ensure the annual adoption of a structurally sound budget that includes funding to meet both current service obligations and appropriate funding for the amortization of past service cost unfunded liabilities. The Mayor then explained that 15 years later Waterbury continues to meet its obligations. The city’s general fund balance has maintained annually at 5% expenditures, and the city leaders have demonstrated very controlled budget developments and spending management practices.

Following their presentation a question and answer period as detailed below took place between commission members and Mr. DeLong and Mayor O’Leary.

Co-Chairman Patricelli questioned if the presenters are recommending eliminating the practice of collective bargaining for public sector retiree’s pensions and healthcare benefits and if so does this change need to be done through a constitutional amendment or can it be done through legislative means? Mr. DeLong answered that yes, CCM does recommend eliminating collective bargaining in these cases and he is unsure whether this change would have to be done through a constitutional amendment or legislatively. Mr. Patricelli then questioned what charges and fees

the state and towns are missing out on compared to surrounding areas? Mr. DeLong answered that some of these fees include franchise and impact fees as well as a local sales tax. He pointed out that there are many other fees that states charge that Connecticut does not which causes the state to lose out on a significant amount of revenue. Mr. Patricelli and Mr. DeLong also discussed the idea of taxing currently exempt property. Mr. DeLong explained that CCM suggests installing a program known as SILOTS or Services in Lieu of Taxes in which owners of tax exempt properties would pay a fee for services that they currently receive.

Mr. Butler engaged in a conversation with Mr. DeLong and Mayor O’Leary regarding the idea of shared services amongst towns and how important that concept is to creating fiscal stability for the state. The presenters expressed their strong support for embracing the idea of shared service across town lines and the overall need to deliver services at more efficient rates during these trying economic times.

Ms. Bigelow questioned any ideas CCM may have on bringing “everyone” to the table to solve the state’s financial issues prior to having to utilize a Waterbury type oversight board. Mayor O’Leary answered no- it is his belief that the oversight board saved the fiscal condition of the city which could not have been accomplished any other way.

Mr. Mounds questioned the role that towns should play in contributing to the teachers’ retirement system. Mayor O’Leary recommends increasing the contributions made by teachers to their retirement in order to bring relief to both the state and municipalities. Mr. DeLong added that the pension systems in Connecticut need to be reformed as they are unsustainable in their current state. Shifting who will cover the cost will not change this fact.

Vice-Chair Widlitz commented on the need to create a system in which if fees are increased and new revenue is realized that money is not spent just as quickly as it is collected. Mr. DeLong agreed with these comments and explained the need for a holistic approach in which new revenue would be followed by the creation of more shared services amongst towns creating a more efficient system of government. Mayor O’Leary added the importance of creating accountability and holding those in power responsible for their decisions in how they spend tax payer dollars. The Waterbury oversight board was key in creating this type of accountability.

Co-Chairman Smith closed the presentation by commenting on the importance of creating healthy towns and cities in order to create a more stable fiscally sound Connecticut for all citizens.

## **V. CAPITAL REGION COUNCIL OF GOVERNMENTS (CRCOG):**

Links to documents provided by CRCOG for the meeting are provided below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CRCOG%20Presentation.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CRCOG%20Presentation.pdf)

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CRCOG%20Testimony%20\(2\).pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/CRCOG%20Testimony%20(2).pdf)

Mayor Leclerc, David Kilbon, Jon Colman, and Lyle Wray provided a presentation on behalf of CRCOG to the commission concerning the important issues of fiscal stability and economic growth in Connecticut. The presenters focused on discussing how CRCOG, and the state's other COGs, can help address the structural problems the commission has identified at its meetings so far. Mayor Leclerc noted that the commission has made the point that the structure of the state's 169 towns produces fragmented and expensive services, which ultimately increase the tax burden. In response she pointed out that CRCOG has long been a leader in coordinating regional services to increase efficiency. The Mayor then touched upon the mission highlights of CRCOG including:

- Helping members improve governmental efficiency and save tax dollars through shared services and other direct service initiatives
- Promoting efficient transportation systems, responsible land use and preservation of land and natural resources and effective economic development
- Strengthening the capital city of Hartford as the core of a strong region, and as our economic, social and cultural center
- Strengthening our regional community by helping coordinate regional agencies and programs

David Kilbon then shared with the commission his experiences with helping run a town of 5,000 people during his tenure as First Selectman of East Granby. He explained that early on he realized that the services that a town of 5,000 people has to provide are not significantly different than those that must be provided by a city of 100,000 people. Regardless of the size of the community, he still had to do them, just with fewer resources. He also noted that despite East Granby's small size they are hardly unique in Connecticut. About a quarter of the state's towns are smaller than East Granby and face the same issues with even fewer resources available to them. He believes that empowered metropolitan regions can offer the scale for more effective action. As Mayor Leclerc noted, CRCOG, and the other COGs, are looking for services that can be shared among their members. In addition to the services she already mentioned, which CRCOG is pursuing, there are larger strategic issues that simply do not make sense at the municipal level but fit perfectly within the regional context. Empowered regions could take on issues such as:

- Better transit. CTfastrak, which CRCOG was instrumental in planning, has already provided 8 million rides. As a direct result, the CRCOG region was ranked ninth in the nation in improved access to jobs via transit.
- Better workforce development. Labor markets are not localized to municipalities. At the same time, workforce needs are not uniform across the state. They are regional in nature. It makes sense to empower regional entities to make decisions about where and how workforce development resources are spent. Manufacturing, financial services and health care and research are vital to this region.

He went on to explain that COGs are currently hobbled by a lack of resources. There is no steady funding stream for shared services. COGs do not have the authority to levy taxes nor can they issue bonds. COGs rely on local, state, and federal governments to provide funding for their services. In times of fiscal strain, this can mean that services are disrupted. Unstable funding

undermines the trust that tax payers and municipalities have in regionalized services. According to Mr. Kilbon strong, empowered metropolitan regions are one critical part of getting this state back on track. COGs offer the regional scale to efficiently provide needed services to their member municipalities while honoring the differences among parts of our state. Finally he urged the Commission to look to the regions as partners in achieving their common goal of ensuring Connecticut's long term economic viability.

Mr. Colman (member of the CRCOG Policy Board) then proceeded to detail his experience in local and regional government noting the importance of achieving fiscal stability in order to create sustained economic growth- without economic growth, we cannot remain fiscally stable. As chair of CRCOG's Transportation Committee his remarks focused on transportation and what needs to be done in that area to improve the state's economic standing. He explained what needs to be done in transportation, the costs and benefits of improving transportation, the funding options, the achievements and prospects thus far in transportation, and the plans for implementing CRCOGs transportation vision.

Mr. Wray (Executive Director of CRCOG) then remarked on the State's revenues and economic development. It is his opinion that there needs to be a review of the state revenue portfolio in order to minimize volatility. He pointed out that the state is currently too dependent on income taxes and he recommended that the state revisit the report from the Connecticut Tax Panel which included a review of the state's tax portfolio to assess the volatility return, and burden of each source of revenue. In connection to economic development Mr. Wray explained that we need more than a stack of reports telling us what to do. We need strategic and sustained implementation. There is no one way to develop this sustained capacity for implementation. In some regions it's the chamber of commerce; in others it is a government agency, in some it is a coalition of private actors. He explained that CRCOG has structured their CEDS process to put them on that path by doing a capacity analysis. This step of the process will do a comprehensive analysis of the ecosystem of public and private organizations that have a stake in economic growth. It will assess their interests, motivations, resources, and willingness to be part of the solution. CRCOG will then look at what the best structure is for organizing these resources and sustained efforts over time.

Following their presentation a question and answer period as detailed below took place between commission members and the representatives from CRCOG.

Commission member Alexander asked the question- in return for cities/towns receiving state aide what might the state ask for from the recipients i.e. what type of mandates? Mayor Leclerc answered- for the recipients to use that money fairly and appropriately. She went on to comment that if the state would fully fund PILOT cities like Hartford and East Hartford would be in far better financial situations.

Mr. Butler and members of CRCOG discussed the profile and ridership of CTfastrak and the progress and differences it has made in the region since its inception.

Mr. Patricelli and Mr. Wray engaged in a conversation regarding the funding sources of the COGs. Mr. Wray explained that ideally the funds would be derived from a mix of state and local

funds while enabling the local governments to fund themselves. He pointed out that receiving state funds is often unreliable given the current economic conditions.

Mr. Mounds commented on the role of CRDA in bringing a lot of great projects in the region to fruition. Mr. Wray added that CRDA does a great job in promoting projects in the area yet one of the issues is with the sizes of the projects – most are too small to apply and leverage certain funds which would be very helpful.

## **VI. PUBLIC OPEN COMMENTS AND RECOMMENDATIONS:**

### **GARY LEBEAU, FORMER STATE SENATOR FROM EAST HARTFORD**

Mr. LeBeau commented on his personal experience in office as a former State Senator and how it applies to the current fiscal situation today in Connecticut. In his opinion one of the main reasons why the legislature is so ineffective is that legislators are preoccupied with their district and reelection; they do not have the time to fully concern themselves with the state as a whole. He shared his ideas for a more effective legislature- paying elected officials a decent salary (\$80,000/year) and make terms four years instead of two. He also explained that we need a better approach to business- there is currently too much regulation.

### **JAMES FLEMMING, PRESIDENT, CONNECTICUT AUTOMOTIVE RETAILERS ASSOCIATION**

A link to Mr. Fleming's testimony can be found below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/James%20Fleming,%20President,%20CT%20Automotive%20Retailers%20Association.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/James%20Fleming,%20President,%20CT%20Automotive%20Retailers%20Association.pdf)

Mr. Fleming provided testimony to the commission urging them to retain the automobile sales tax trade-in allowance as part of our state tax policy and job retention efforts.

### **SHARI CANTOR, MAYOR OF WEST HARTFORD**

A link to Mayor Cantor's testimony can be found below:

[http://cga.ct.gov/fin/tfs/20171205\\_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/Shari%20Cantor,%20Mayor,%20West%20Hartford.pdf](http://cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180123/Shari%20Cantor,%20Mayor,%20West%20Hartford.pdf)

Mayor Cantor expressed the importance of West Hartford to the region and discussed the demographics of the city which are largely (and incorrectly) assumed. She discussed the hardship of taxes this year for the city of West Hartford and how much it has hurt home sales. Mayor Cantor stressed the importance of planning and stability as essential for financial success. A strategic long-term plan is essential to our state and region. She commented that West Hartford will continue its efforts to be a well-managed, financially sound contributor to the state, region, and capital city, but town leaders need the state's continued support in order to do so.

**VII. ANNOUNCEMENT OF NEXT MEETING:**

Wednesday, January 24, 2018 from 10:00 AM – 4:00 PM in Room 2D of the Legislative Office Building.

**VIII. ADJOURNMENT**

The meeting was adjourned at 4:35 PM by Chairman Smith.

**Respectfully submitted,**

**Hayden Schwarm  
Assistant Clerk**