

Leaders on State of the Town: Control Spending as State, Feds Look to Squeeze \$\$ from Darien

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You're a Darien taxpayer and the federal government may reduce your mortgage deduction, severely limit your state and local tax deductions, and the state may force the town to pay a third or more of teacher retirement costs. Also, the taxable value of your home may go up or down with next year's revaluation.

Town officials are assuming you're not going to want to see anything more than a small increase — if that — in local taxes and spending next year.

That was an important theme in State of the Town addresses from First Selectman Jayme Stevenson and Board of Finance Chairman Jon Zagrodzky, who each spoke Monday before the Representative Town Meeting.

(In the past year, the town has been taking steps to keep itself attractive to potential home buyers and fiscally fit. That was another strong theme of Stevenson and Zagrodzky as well as the other two State of the Town speakers: Planning & Zoning Chairman John Sini and Board of Education Chairperson Tara Ochman.)

"[The year] 2018 will undoubtedly pose new opportunities and challenges for us," Stevenson said. "I'm proud of the conservative assumptions we made regarding the educational cost sharing revenues in the 2017-18 budget. This proved to be a very wise decision.

"After 10 months of the state's budget chaos, legislators finally passed a budget [...] that was immediately out of balance and guaranteed over \$3.5 billion of out-year budget deficits [...]," she continued.

"Continuing on our path to fiscal self-sustainability is our best protection against wild swings in state policy and changes in the federal tax code, specifically the passing on of the cost of teacher pensions and the potential loss of state and local tax deductions.

"[The year] 2018 is also a revaluation year for Darien. Market conditions will produce new values that will be undoubtedly favorable for some and burdensome for others. We must be mindful of the compounding effect local, state and federal tax changes will have on Darien taxpayers.

"This is a very unusual situation that we have with all three of those forces coming together in one particular year," Stevenson said. "To that end [...] Kate Buch [the town administrator], with the support of the Board of Selectmen, has directed to department heads to budget for no increases in their 2018-2019 budget year requests. This may be very difficult to achieve, but it certainly is the right place to start."

Be Prepared

Zagrodzky, in his speech, pointed out that Darien officials have already been preparing for potentially larger state burdens on town taxpayers by cutting back on borrowing. The current burden of borrowing costs for the town is low and expected to remain low for the next two fiscal years, he said.

"We actually planned this in case we faced some costs from the state, so this gives us a little bit of breathing room for the next two years," he said.

(Lower borrowing gives the town some flexibility in paying for any fiscal surprises that the state may spring on taxpayers. The town also finances some of its capital projects directly from the budget instead of through borrowing. If necessary, the town could borrow more money to reduce the immediate burden on taxpayers.)

Another reason that Darien is currently borrowing less is because a lot of expected capital projects for refurbishing or replacing school buildings haven't been proposed by the school district administration and Board of Education, Zagrodzky said. Darien Public Schools officials are still studying what to do with the Ox Ridge School building.

"Our financial situation is relatively stable and has been since at least 1990."

"Last year we even thought about assuming no special education reimbursement in this year's budget. The budget the state finally approved lacked the cost changes that we were worried about."

"The state's financial problems did not go away. [...] We owe it to taxpayers to maintain a tight level of discipline on all the spending that we can control until this gets sorted out.

"I think aggressively low [spending] targets are fine, and I look forward to see what both boards [the Board of Selectmen and Board of Education] propose in their budgets. I also recognize that we have union contracts, facilities to maintain and lots of other costs that are not static. That said, my further guidance for your consideration would be as follows:

"First, now is not the time, if there ever is a time, to start new programs or initiatives. That's not to say the answer should be 'No' in all cases, but we should scrutinize any plans to start something new, whatever it is."

Zagrodzky also repeated a point he made in his State of the Town speech last year: New hires cost big money. He pointed out that two unionized town employees making about \$50,000 a year cost about the same over a 20-year period than the \$7 million Shuffle project cost (to switch locations of the town senior center and school district headquarters) over the same 20-year spans as the bonds that paid for the Shuffle.

Zagrodzky said he and his fellow Board of Finance members would keep an open mind on new projects and employees, but there would need to be a very good case made for them.

(At a recent Board of Education meeting, Schools Superintendent Dan Brenner told the board that he had no major new initiatives to propose for the next fiscal year. He did, however, want to hire a few more staff members in the district.)

"Second," Zagrodzky continued, "all the professionals that lead schools and town departments are striving for efficiency, and I've certainly seen that over the years I've been on the Board of Finance, but I would invite both boards [selectmen and education] to challenge these professionals to go further.

"What's the most radical thing they can propose to deliver services more efficiently. Even crazy ideas should be on the table. Maybe there should be a prize. Now it's possible that we have done all we can, but we must never, ever relax these efforts.

"We owe it to taxpayers to represent to them that at all times we are trying to make government more efficient so that if the state ever does come down on top of us with both of these costs that we're afraid of, we'll always be able to represent to taxpayers of this town that we are doing our best to make our level of government, that is under our control, as efficient as possible."

Debt and Schools

Moody's analyzed Darien's rating this past summer and continues to give it a Triple A rating, Zagrodzky pointed out.

"This means that we'll continue to have the best terms when borrowing, something that many towns no longer have." That saves taxpayers money for years into the future, since it lowers borrowing costs.

"We started this fiscal year with about \$62 million in total town debt [...] This is down from a high of just under \$100 million in 2012. [...] This year we've added a little over \$12 million in debt for the Ox Ridge [Club property] land acquisition and the public works garage, but with the planned principal paydown, we'll be down about \$65 million by the end of this fiscal year on June 30.

"Assuming no major school projects, we could be down about \$50 million in three years. Pretty good: Cut the debt load in half over just a few years."

For the past five years, there's been a lot of talk among town officials about major school capital projects, but little has been proposed, Zagrodzky said. "I know that there have been studies, meetings and discussions [...] but after all this time, we still don't have a complete proposal to consider. [...]"

"I think we would all benefit from coming into an agreement as to where we could make major [capital] improvements in our schools. Low interest rates won't last forever, and our debt is approaching a point where we are in a position to make needed and smart investments. When we get to this point, there's a lot we can do to ensure good communication and financial planning. [...]"

"As an aside, I'm personally not supportive of considering major capital projects like those included in the very expensive but very good parks master plan until we have potential school investments sorted out."

As if in response to Zagrodzky, Board of Education Chairperson Tara Ochman said:

"We have school facilities in need of attention. The board will continue the important conversations regarding major projects and projections. We recognize the desire to plan in a timely fashion to capture optimal bonding opportunities. When we come to the town for support on capital initiatives, we will do so with sound thought and theory."