INTERIM FINANCIAL REPORT CITY OF ANSONIA

HAMILTON CONSULTING, LLC

FEBRUARY 17, 2026

QUALIFICATIONS

- 40+ years of experience in municipal/school finance at the CFO level
- Extensive experience with highly-rated (Aaa/AAA) local governments
- Expertise with distressed municipalities in Connecticut
- Experience with State of CT distressed municipal oversight
- Recent experience providing consulting services to municipal/school district clients

PROJECT BACKGROUND

- Assess City's financial policies, practices and procedures
- Provide recommendations in alignment with best industry practices
- Assist with preparation of upcoming City budget and financial forecasting
- Assess organizational structure of the Finance Department; make recommendations for improvement
- Assist with recruitment and selection of full time CFO; mentor Finance staff

PART 1 - PRELIMINARY BUDGET OBSERVATIONS

- Major structural imbalance between revenues and expenditures
- $41.0 million WPCA sale proceeds are essentially fully exhausted
- City general fund balance is positive, but is nearing minimum base levels
- Fuel Cell project has suffered significant delays with serious financial implications
- Impact of changes in Washington on federal investment tax credits for Ansonia's solar and fuel cell projects is uncertain ($11.0 M for Fuel Cell; $1.9 M for Solar)

FY 2026-27 Revenue Shortfalls Caused by Past Financial Practices

- Use of one-time asset sales to support annual operating expenses is unsustainable and unsound
- In the past, the City structured the use of these proceeds to unsustainably lower mill rates, creating a large fiscal "cliff" for FY 2026-27
- Fuel Cell revenue of $1.6 million built into the FY 2025-26 budget will not be realized this year
- Fuel Cell debt service expenses ($1.7M) were not included in FY 2025-26 budget, despite payments having started
- Magnitude of overall budget shortfall suggests a tax levy increase in the range of 26% is necessary to restore budgetary balance

STRUCTURAL BUDGET IMBALANCE –
Itemization of Major Shortfalls for FY 2026-27

Use of Future Revenue (WPCA Sale Proceeds)	**$5,250,000**
Use of Fund Balance	**548,017**
Fuel Cell PILOT Payment Revenue (fuel cell not operational)	**1,577,874**
Unbudgeted Debt Service – Fuel Cell Project	**3,039,813**
TOTAL	**$10,415,704**
Amount as a % of Current Tax Levy	**26.2%**

WPCA Sale Proceeds

- City sold WPCA to Aquarion Water Company in December 2024 for $41.0 million
- City has used nearly all of the proceeds to:
  - Support general fund budget in each of the past three years, in an ***unsustainable*** way;
  - Fund limited capital projects, including solar carport;
  - Retire WPCA debt;
  - Establish a WPCA rate stabilization fund
- Balance now available from the WPCA sale proceeds is only $465,000
- Residual funds remain in the WPCA fund from prior to the sale of the facility

WPCA Sale Proceeds

WPCA SALE PROCEEDS	$41,000,000
FY 2023-24 General Fund Budget Support	5,000,000
FY 2024-25 General Fund Budget Support	7,429,365
FY 2025-26 General Fund Budget Support	5,250,000
Solar Carport Project	2,380,159
Capital Projects	375,000
WPCA Debt Repayment	12,969,100
WPCA CWF Debt Repayment	131,412
WPCA Rate Stabilization Fund	7,000,000
ENDING BALANCE	**$464,964**

FUEL CELL PROJECT

- 3.9 Megawatt Fuel Cell Project to be located on City-owned property and operational by Dec. 2025
- $37.0 M of Certificates of Participation issued by City in December 2024 to finance project under a lease arrangement
- Project has been delayed by issues over lack of necessary site control and the decision by the past administration to switch the City's selected vendor/partner and project approach mid-stream
- City assumed Fuel Cell revenues of $1.6 M in FY 2025-25 which will not be realized
- City made first (unbudgeted) debt service payment in December 2025 of $695,552 with no offsetting revenues available to support this payment
- No funds were budgeted in the FY 2025-26 budget by the prior administration for fuel cell debt service, which is projected at $1,719,812 in the current year and $3,039,813 in FY 2026-27

PART 2 – STRATEGIES FOR MOVING FORWARD:

WORKING ASSUMPTION: 26% Increase in taxes is not viable

EXPENDITURES:

- Reduce or eliminate all non-essential spending
- Identify lower priority City services that can be scaled back or eliminated
- Apply across-the-board reductions to all departments
- Set goal of 0% increase in City and locally-funded Board of Education budgets
- Identify more efficient ways of delivering services, including through shared services and other strategies

PART 2 – STRATEGIES FOR MOVING FORWARD

REVENUES:

- Seek additional State Aid
- Increase local fees and charges & implement new fees where possible
- Monitor and pursue federal investment tax credits – Solar Projects, Fuel Cell Project
- WPCA enterprise fund residual balance (non-recurring source of revenue)
- Asset sales (sale of vacant, unused or under-utilized property, etc.) – Non-recurring
- Increase taxes to achieve structural budget balance – Referendum required if tax levy increases more than 3%

PART 2 – STRATEGIES FOR MOVING FORWARD

OTHER CONSIDERATIONS:

- Fuel Cell – Seek a negotiated solution to put the project back on-track; delay debt impact through short-term financing while such a solution is being developed and implemented
- Use any revenues from non-recurring sources (WPCA fund closeout, federal investment tax credits, asset sales, etc.) in a ***responsible*** way over a multi-year period with incrementally declining reliance on such funds each year

CONCLUSION

- **Ansonia faces a large structural imbalance between revenues and expenditures caused by decisions made in prior years**
- **To close this imbalance in its entirety in the upcoming fiscal year would require a 26% increase in the tax levy**
- **City will need to employ a multi-faceted, multi-year strategy to close its budget gap for FY 2026-27**

CONCLUSION

MULTI-FACETED STRATEGY:

- Reduce spending to lowest level possible, while still funding essential services
- Increase City non-tax revenues wherever possible
- Pursue increases in State aid or other State support
- Seek to put the Fuel Cell Project back on-track, and defer FY 2027 budgetary impact in the meantime through a short-term financing
- Pursue asset sales where possible to increase the City's financial flexibility
- Use non-recurring revenues, including funds from close out of WPCA fund, in a ***responsible*** way
- Raise property taxes by the amount necessary to restore budgetary balance