

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE

The Board of Finance held a regular on Monday, June 12, 2017 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman John Godin called the meeting to order at 7:30pm.

Present: James Gaston, John Godin, Kelley Johnson, Mark Boland, Sandy Roussas, Aaron Carlson

Also Present: Finance Director Robert Tait, First Selectman Pat Llodra, 1 member of the public and 1 member of the press.

VOTER COMMENT – Michele Embry Ku, 28 Platts Hill Road – She is speaking for herself, not a member of the Board of Education. She hopes they look at the process with a fresh set of eyes and not necessary go with the current process. Look not just at prioritizing but also timing and defining, more specifically than what our charter does, what a year is. Concerned about special appropriations and how the CIP process affects them.

COMMUNICATIONS – None

MINUTES –Mr. Gaston moved to approve the minutes of the 5/25/17 meeting, Ms. Johnson seconded. The following corrections were made: 3rd Page, 3rd Paragraph, 5th sentence need should be needle and the last sentence ends with limit. The last motion was made by Mr. Gaston, not Gaton. Under Selectman's report State Senate Republicans, not State Republicans. And first motion made by Mr. Godin on page 3 is of funding allocation, not if. Motion passes with one abstain (Carlson).

FIRST SELECTMAN REPORT – There is still no state budget and they will be going into special session. The one action the Finance Department took was to send the tax bills out. Everything they have been hearing is that there will be a mill rate cap of 32 on motor vehicles. The current mill rate for the town is 33.8. The bills went out with the 32 mill rate and no supplemental bills will be sent because the cost does not out way the benefit.

FINANCE DIRECTORS REPORT – None

NEW BUSINESS

CIP Policy – Mr. Tait reviewed the Capital Improvement Plan Code (Attachment A). First Selectman Llodra explained that the Legislative Council is writing the regulations and the timing is appropriate for the BOF point of view.

Mr. Gaston expressed concern because the Charter is not clear regarding and emergency appropriation and a special appropriation. First Selectman Llodra suggested that members listen to the audio of the First Selectman's meeting of May 15 which will make it clear.

Mr. Gaston also articulated that the BOF should be involved in prioritizing in a global picture, and have a role in which go and which do not go to referendum, if there is a change, they recommend that they come back for an opinion from the BOF.

Mr. Tait reviewed the CIP project time table. He also explained that the bond forecast during the budget process is so important. We aren't going to bond until you do your project and only bond what is spend. The way they do it is nice because the principal and interest payments are known and they know what the debt services are going to be for the next budget. Debt forecast schedule is very important during the CIP process.

It was discussed if having a percentage in 310-5 is better than a flat number. Having too low of a number isn't desirable because you don't want to bond for smaller projects. Having a percentage may allow more flexibility in regards to inflation.

There are 2 things they are talking about. One is policy clarifications and other is process of prioritizing. Mr. Gaston will out together in the form of supplemental regulation, something specific to the process of setting a priority list; making a recommendation to the BOF and having one check point with the BOF as the LC does their recommendations. He will also do the policy clarifications for the next meeting.

Mr. Tait will provide a 10 year budget forecast with different assumptions for the next meeting.

Debt Policy – Mr. Tait provided the Town's Debt management Policy and the Debt management Policy Best Practice from the Government Finance Officers Association (Attachment C).

Voter Comments – None

Announcements – Unless something comes up, the June 22nd meeting will be cancelled. On July 10, they will discuss the CIP Policy.

Having no further business, the meeting was adjourned at 8:49pm

Respectfully Submitted,
Arlene Miles, Clerk

Chapter 310. Capital Improvement Plan

§ 310-1. Goal.

A.

The goal of the Board of Finance in adopting this regulation is to:

(1)

Prioritize, on a Town-wide basis, proposed major capital projects.

(2)

Establish a consistent level of spending for such capital projects.

(3)

Integrate financial planning, budgeting and debt issuance for the Town.

(4)

Encourage careful project design.

B.

This Capital Improvement Plan (CIP) regulation hereby:

(1)

Creates a process by which the Board of Finance adopts a proactive position regarding the capital expenditures of the Town of Newtown.

(2)

Creates a process by which the Board of Finance identifies, prioritizes, evaluates, justifies, monitors, postpones or eliminates proposed capital expenditures.

(3)

Creates a process by which the Board of Finance and the Legislative Council work compatibly in enacting Subsections B(1) and (2).

§ 310-2. Description; annual review.

The Capital Improvement Plan is Newtown's five-year program of major capital purchases of a nonrecurring nature. The CIP is based on assigned priorities which consider Town needs, desires, and mandates for various improvements and coincides with Newtown's current and anticipated financial capability to finance such improvements. The CIP shall be reviewed at least annually by the Board of Finance. The Board of Finance shall amend the CIP as required to address changing priorities and maintain the CIP at a five-year projection time frame.

§ 310-3. Implementation and amendments.

The Board of Finance is hereby charged with the responsibility of implementing the goals expressed above in § 310-1 and all changes, additions and deletions to the CIP. In addition, among others, the Town Financial Director, First Selectman, Chairman of the Board of Education, Superintendent of Schools and Legislative Council members may advise the Board of Finance, but do not have voting privileges.

§ 310-4. Presentation of proposed purchases to Board of Finance.

Proposed purchases may be brought to the Board of Finance at any time; however, except for exigent circumstances, purchases ~~not~~ presented in the Board of Selectmen or Board of Education yearly five-year CIP projection shall not be considered by the Board of Finance until the next June through October period. The Board of Selectmen shall submit its five-year projected CIP proposal at the first regularly scheduled Board of Finance meeting in August. The Board of Education shall submit its five-year projected CIP proposal at the first regularly scheduled Board of Finance meeting in June. The Board of Finance shall hold its review period from ~~June~~ through ~~October~~.

replace purchases
with capital
projects

November

September

In practice both boards have been
presenting first meeting in September.

§ 310-5. Eligible ~~purchases and expenditures~~.

capital projects

Do we want to limit ourselves. This is around \$285,000 now.

To be eligible for inclusion in the CIP, a proposed ~~purchase~~ shall have an estimated cost that is at least 0.25% of the Town budget for the year in which the request is made (~~excluding projects funded with LoCIP money~~). Listed below are some of the guidelines which would make a request eligible for inclusion in the CIP, assuming the proposed purchase meets the 0.25% requirement set forth above:

A.
~~Purchases~~ requiring debt obligation.

B.
Acquisition or lease of land.

C.
Purchase of major equipment and vehicles with life expectancy of five years or more.

D.
Construction of new building facilities, including engineering, design and other preconstruction costs.

E.
Major building improvements that are not routine expenses, including those that substantially enhance the safety of the occupants of the building and/or the longevity of the building itself.

F.
Major equipment or furnishing required for a new building or other projects.

G.
Major studies requiring the employment of outside professional consultants.

§ 310-6. Process overview.

All requests for inclusion in the CIP will adhere to the following process and shall be submitted on a form as prescribed by the Town Financial Director:

A.
Each Town department shall submit to the Board of Selectmen a prioritized list of proposed capital purchases.

B.
The Board of Selectmen will identify, prioritize and approve, on a Town-wide basis, purchases it proposes to include in the CIP, excluding items requested by the Board of Education. The Board of Education will likewise identify, prioritize and approve purchases it proposes to be considered for placement on the CIP.

C.
The Board of Selectmen and the Board of Education shall also include in the request(s):

(1)
The identification of any revenues or reimbursements anticipated each year.

(2)
A financial impact statement as provided by the Town Financial Director.

(3)
~~An indication whether the item/project requested is eligible for LoCIP funds.~~

LOCIP funds now go into the general fund revenues

D.
The Town Financial Director will review and compile the two lists to be presented to the Board of Finance.

E.
The Board of Selectmen and the Board of Education will then present their prioritized purchase requests to the Board of Finance.

F.

The Board of Finance will consider all requests made through this process and determine those that will be recommended for inclusion in the CIP and those that are to be rejected or postponed. ~~If rejected, the proposed purchase can be resubmitted to the appropriate board at the first step of the process. If postponed, the request shall be reviewed by the Board of Finance with respect to its new priority level.~~

G.

The Board of Finance will prioritize, on a Town-wide basis, all requests it approves for inclusion in the CIP, and establish a time frame for proceeding with each ~~purchase~~ in view of the financial implications of such a purchase.

H.

The Board of Finance will forward its recommendation to the Legislative Council by November 30. The Legislative Council may accept the plan in its entirety, reject any item or reduce any item in capital costs, or reduce any item in priority. Any new item addition or increase in proposed capital expenditure for an item by the Legislative Council shall be referred back to the Board of Finance for further review and recommendation with written comment by the Legislative Council as to its reasoning. Within a reasonable time thereafter, the Board of Finance will resubmit its recommended CIP plan, noting any changes it has made.

I.

The CIP plan approved by the Legislative Council shall be the single and final adopted CIP plan for the Town of Newtown; except, should the Legislative Council not return a proposed plan by the Board of Finance to the Board of Finance for further review within 60 days of its submission, and not pass the final CIP plan presented by the Board of Finance within 60 days of submission to the Legislative Council, the proposed CIP plan presented by the Board of Finance shall be the single and final adopted CIP plan for the Town of Newtown.

§ 310-7. Prioritization.

The Board of Finance shall consider the following criteria during its prioritization:

A.

The cost of the purchase.

B.

The impact of the purchase versus the benefit to the Town.

C.

The year it will be implemented.

D.

The source of financing.

E.

The impact on future operating budgets.

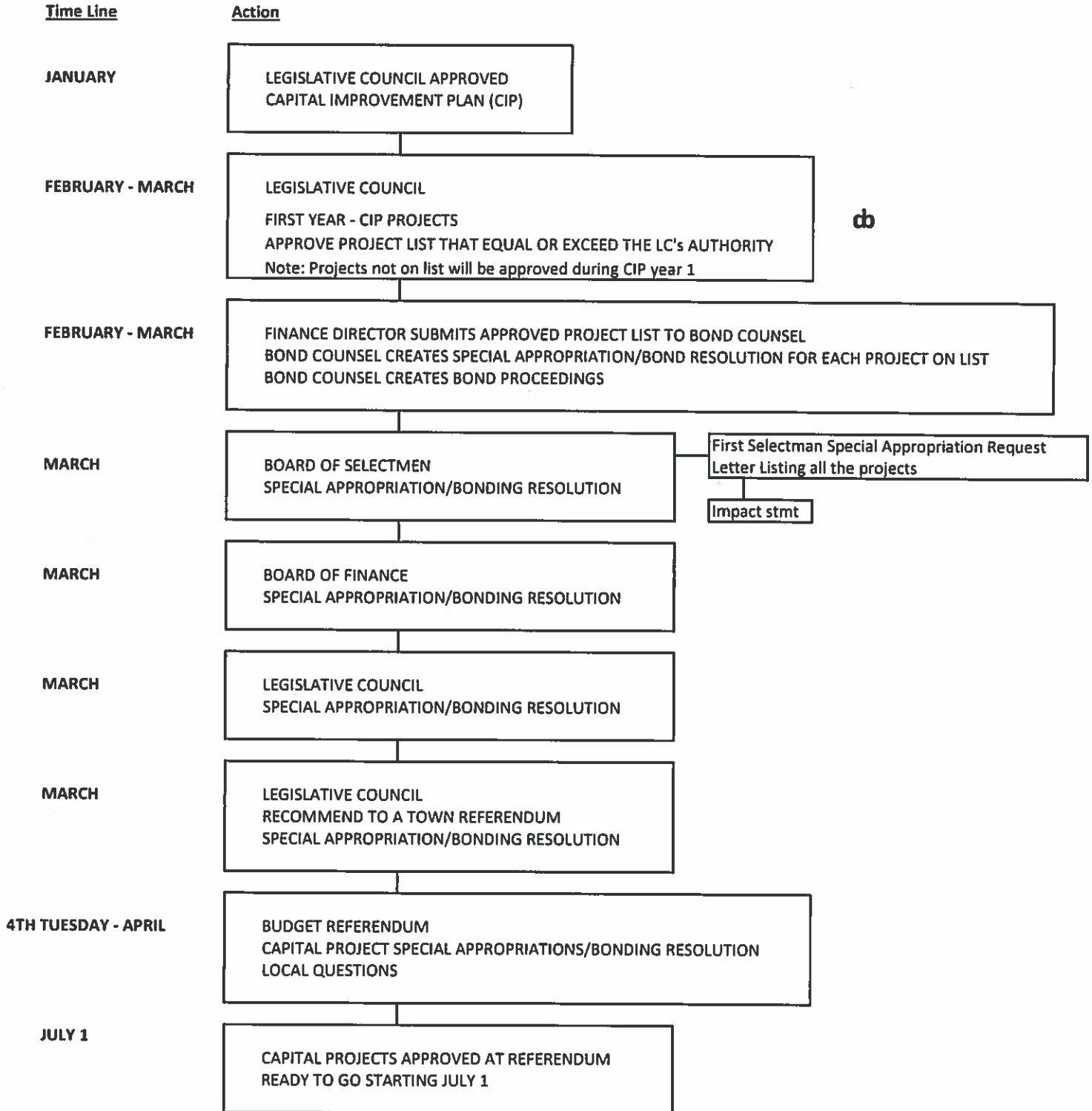
F.

The benefit or risk to the Town should the purchase not be made.

§ 310-8. Town budget.

All purchases which are proposed for the ensuing fiscal year and included in the final CIP by the Legislative Council shall be included as proposed expenditures in the budget presented to the Board of Finance. Except for exigent circumstances, any capital improvement expenditure that falls within § 310-5 of this plan regulation and is not contained in the CIP shall not be considered for implementation

TOWN OF NEWTOWN - SPECIAL APPROPRIATION PROCESS & TIME LINE



db

LEGISLATIVE COUNCIL HAVE THE POWER TO MAKE SPECIAL APPROPRIATIONS
IN AN AMOUNT NOT IN EXCESS OF \$1,500,000 FOR ANY ONE PURPOSE DURING
A FISCAL YEAR. THE TOTAL OF SPECIAL APPROPRIATIONS MADE BY THE LC FOR ALL
PURPOSES DURING A FISCAL YEAR SHALL NOT EXCEED AN AMOUNT EQUAL TO ONE
MIL ON THE MOST RECENTLY COMPLETED GRAND LIST (AROUND \$3,100,000)

TOWN OF NEWTOWN
CIP PROJECT TIME TABLE

CIP 2017-2018 PROJECTS

Resolutions authorizing CIP projects (see page two)

projects start



Attachment C
**TOWN OF NEWTOWN, CT
DEBT MANAGEMENT POLICY**

I. PURPOSE

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the Town of Newtown.

Debt obligations, which include general obligation bonds, special assessment bonds, revenue bonds, bond anticipation notes, lease/purchase agreements and any other debt obligations permitted to be issued under Connecticut law shall only be issued to purchase capital assets that cannot be acquired with current revenues.

II. POLICY STATEMENT

Under the requirements of Federal and state laws and Town Charter provisions, ordinances and resolutions, the Town may periodically issue debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. It is the Town's goal to assure that such debt obligations are issued and managed in such a manner as to obtain the best long-term financial advantage to the Town and its residents, while making every effort to maintain and improve the Town's bond ratings and reputation in the investment community.

III. RESPONSIBILITY FOR POLICY

The Director of Finance shall be responsible for issuing and managing the Town's debt program. In carrying out this policy, the Director shall periodically:

1. Consider the need for debt financing based upon the approved Capital Improvement Plan.
2. Review the Town's adherence to this policy statement and compare the debt ratios established in this policy with where the Town actually is.
3. Review the Town's authorized but unissued debt to determine if any authorizations are no longer needed.
4. Determine if there are any opportunities for refinancing current debt.
5. Review every three years the services provided by the Town's financial advisor, bond counsel, paying agents and other debt financing service providers.

The Director of Finance shall report his/her findings to the Board of Selectmen, Board of Finance and Legislative Council in the September/October time period of each year, during the Town's review and formulation of the Capital Improvement Plan.

IV. GENERAL DEBT GOVERNING POLICIES

The Town hereby establishes the following policies concerning the issuance and management of debt:

- A. The Town shall not issue debt obligations or use debt proceeds to finance current operations of the Town.



Government Finance Officers Association

BEST PRACTICE

Debt Management Policy

BACKGROUND:

Debt management policies are written guidelines, allowances, and restrictions that guide the debt issuance practices of state or local governments, including the issuance process, management of a debt portfolio, and adherence to various laws and regulations. A debt management policy should improve the quality of decisions, articulate policy goals, provide guidelines for the structure of debt issuance, and demonstrate a commitment to long-term capital and financial planning. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and therefore is likely to meet its debt obligations in a timely manner. Debt management policies should be written with attention to the issuers specific needs and available financing options and are typically implemented through more specific operating procedures. Finally, debt management policies should be approved by the issuers governing body to provide credibility, transparency and to ensure that there is a common understanding among elected officials and staff regarding the issuers approach to debt financing.

RECOMMENDATION:

GFOA recommends that state and local governments adopt comprehensive written debt management policies. These policies should reflect local, state, and federal laws and regulations. To assist with the development of these policies GFOA recommends that a governments Debt Management Policy (Policy) should be reviewed periodically (and updated if necessary) and should address at least the following:

1. *Debt Limits.* The Policy should consider setting specific limits or acceptable ranges for each type of debt. Limits generally are set for legal, public policy, and financial reasons.

a. *Legal restrictions* may be determined by:

- State constitution or law,
- Local charter, by-laws, resolution or ordinance, or covenant, and
- Bond referenda approved by voters.

b. *Public Policies* will address the internal standards and considerations within a government and can include:

- Purposes for which debt proceeds may be used or prohibited,
- Types of debt that may be issued or prohibited,
- Relationship to and integration with the Capital Improvement Program, and
- Policy goals related to economic development, including use of tax increment financing and public-private partnerships.

c. *Financial restrictions or planning considerations* generally reflect public policy or other financial resources constraints, such as reduced use of a particular type of debt due to changing financial

conditions. Appropriate debt limits can have a positive impact on bond ratings, particularly if the government demonstrates adherence to such policies over time. Financial limits often are expressed as ratios customarily used by credit analysts. Different financial limits are used for different types of debt. Examples include:

- *Direct Debt*, including general obligation bonds, are subject to legal requirements and may be able to be measured or limited by the following ratios:
 - Debt per capita,
 - Debt to personal income,
 - Debt to taxable property value, and
 - Debt service payments as a percentage of general fund revenues or expenditures.
- *Revenue Debt* levels often are limited by debt service coverage ratios (e.g., annual net pledged revenues to annual debt service), additional bond provisions contained in bond covenants, and potential credit rating impacts.
- *Conduit Debt* limitations may reflect the right of the issuing government to approve the borrowers creditworthiness, including a minimum credit rating, and the purpose of the borrowing issue. Such limitations reflect sound public policy, particularly if there is a contingent impact on the general revenues of the government or marketability of the governments own direct debt.
- *Short-Term Debt Issuance* should describe the specific purposes and circumstances under which it can be used, as well as limitations in term or size of borrowing.
- *Variable Rate Debt* should include information about when using non-fixed rate debt is acceptable to the entity either due to the term of the project, market conditions, or debt portfolio structuring purposes.

2. Debt Structuring Practices. The Policy should include specific guidelines regarding the debt structuring practices for each type of bond, including:

- Maximum term (often stated in absolute terms or based on the useful life of the asset(s)),
- Average maturity,
- Debt service pattern such as equal payments or equal principal amortization,
- Use of optional redemption features that reflect market conditions and/or needs of the government,
- Use of variable or fixed-rate debt, credit enhancements, derivatives, short-term debt, and limitations as to when, and to what extent, each can be used, and
- Other structuring practices should be considered, such as capitalizing interest during the construction of the project and deferral of principal, and/or other internal credit support, including general obligation pledges.

3. Debt Issuance Practices. The Policy should provide guidance regarding the issuance process, which may differ for each type of debt. These practices include:

- Selection and use of professional service providers, including an independent financial advisor, to assist with determining the method of sale and the selection of other financing team members,
- Criteria for determining the sale method (competitive, negotiated, private placement) and investment of proceeds,
- Use of comparative bond pricing services or market indices as a benchmark in negotiated transactions, as well as to evaluate final bond pricing results,
- Criteria for issuance of advance refunding and current refunding bonds, and

- Use of credit ratings, minimum bond ratings, determination of the number of ratings, and selection of rating services.

4. Debt Management Practices. The Policy should provide guidance for ongoing administrative activities including:

- Investment of bond proceeds,
- Primary and secondary market disclosure practices, including annual certifications as required,
- Arbitrage rebate monitoring and filing,
- Federal and state law compliance practices, and
- Ongoing market and investor relations efforts.

5. Use of Derivatives. The Debt Management Policy should clearly state whether or not the entity can or should use derivatives. If the policy allows for the use of derivatives, a separate and comprehensive derivatives policy should be developed (see GFOAs Advisory, Developing a Derivatives Policy and Derivatives Checklist).

Notes:

- Post Issuance Compliance Checklist
- Debt Issuance Checklist: Considerations When Issuing Bonds

References:

- GFOA Advisory, Using Variable Rate Debt Instruments, 2010.
- GFOA Advisory, Use of Debt-Related Derivatives Products and the Development of a Derivatives policy, 2010.
- GFOA Derivatives Checklist, 2010.
- GFOA Best Practice, Selecting Bond Counsel, 2008.
- GFOA Best Practice, Selecting Financial Advisors, 2008.
- GFOA Best Practice, Selecting Underwriters for a Negotiated Bond Sale, 2008.
- GFOA/NABL Post Issuance Compliance Checklist, 2003.
- *Benchmarking and Measuring Debt Capacity*, Rowan Miranda and Ron Picur, GFOA, 2000.
- *A Guide for Preparing a Debt Policy*, Patricia Tigue, GFOA, 1998.

Applicable to Canadian Governments:

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