

Chris Eide, Chair
Alison Plante, Vice-Chair
Ryan Knapp
Paul Lundquist
Cathy Reiss
Chris Smith



TOWN OF NEWTOWN

The Legislative Council
Finance and Administration Committee
met on Thursday, September 10, 2020 at 7:30 PM

Meeting Notes

CALL TO ORDER

The meeting was called to order by Mr. Eide, Chair at 7:31 PM.

SALUTE TO THE FLAG

ROLL CALL

Members in attendance via teleconferencing:

- C. Eide
- A. Plante
- P. Lundquist
- C. Reiss
- C. Smith

Members absent:

- R. Knapp

Others in attendance:

- Ned Simpson, Board of Finance

VOTER COMMENT

None

COMMUNICATIONS

The chair received an email from Sandy Roussas, chair of the Board of Finance, about the Board of Finance taking up the Capital Improvement Plan Policy and stated that she would be unable to get it on the agenda until later in the month. Thus, there will be no action to take on this agenda item during old business.

APPROVAL OF THE MINUTES

Motion to approve minutes from 18 Aug 2020 made by Mr. Lundquist; Seconded by Ms. Reiss. Motion passes 5-0-0.

OLD BUSINESS

Discussion and possible action on the Board of Finance approved Capital Improvement Plan Policy

This item was not discussed at this meeting pending being taken up by the Board of Finance at a later meeting in September.

Discussion and possible action on the Board of Finance approved Fund Balance Policy

Ms Reiss stated that she reviewed the document mainly for grammar and had some notes to share.

Mr. Smith stated he had done similarly. He questioned whether the document is an official document with legal weight in the same way as the Charter and asked if it was within the Legislative Council's purview.

Ms. Reiss questioned if the Town's Finance Director, Mr. Tait, had reviewed the document. Mr. Simpson responded that he had reviewed this document and the Debt Policy as well.

Mr. Lundquist stated he had a general comment that applied to the previous policy (CIP Policy) as well; that the committee is a set of fresh eyes, but should lean on the fact that it is not a new policy and is not going through dramatic changes. He expressed that the committee should be mindful that the Board of Finance put a lot of hours and time into reviewing the policy and making reasonable edits to it. He stated his belief that even from the get go the policy was not in need of major revisions, so the committee should not be looking to reinvent the wheel. He expressed that the committee should not be looking for major edits and should respect the work that the Board of Finance did.

Mr. Smith expressed support for Mr. Lundquist's sentiments.

Mr. Lundquist voiced that in previous times, changes were accepted from the Board of Finance in a single meeting of the whole Legislative Council. He wished to respect the fact that the Finance and Administration Committee's review of the document was not the first time it was looked at.

Mr. Smith expressed gratitude to Mr. Simpson for attending the meeting.

Ms. Plante agreed with those sentiments and expressed her comfort that the Board of Finance reviewed the document and spent considerable time on it.

Mr. Eide expressed a desire to review the document relating to procedural questions about the end of year process of dealing with the fund balance, particularly as it relates to the possibilities of rolling funds into the Capital and Non-Recurring Fund, Debt Service, or offsetting future taxes.

Mr. Lundquist spoke to the current cap of the Unassigned Fund Balance at 12% of the budget and how others might want it to be at a higher level of 16%. The current language is clear that if the Unassigned Fund Balance is higher than 12%, a number of steps could be considered.

Mr. Simpson expressed that Assigned Fund Balance moves to Unassigned Fund Balance at the end of the fiscal year.

The committee generated the following questions for the Town Finance Director, Mr. Tait:

- Does the LC currently have the authority to transfer funds at the end of the fiscal year towards future tax assessments or towards the capital and non-recurring fund if we are under 12%.
- Should the BOF and Council have the option to take funds that aren't destined for the fund balance (if we're under 12%) to put towards capital and non-recurring, debt service, or tax assessments?
- Should the Town move to 16% if the intention is to use excess funds towards capital and non-recurring projects?

Mr. Smith inquired as to the origins of the 12% benchmark for Unassigned Fund Balance. He asked if it was a rating agency guideline and inquired as to the ramifications of adjusting it.

Mr. Lundquist found that rating agencies recommend that two months of operating expenses should be in Unassigned Fund Balance, which is where the 16% number came from. The Council's goal of contributing to the Capital and Non-Recurring Fund would be in conflict with a written policy of 16%.

Ms. Reiss asked Mr. Simpson about sections 4C and 4D, wherein the policy refers to "town executives" as it is unfamiliar language. Mr. Simpson expressed that it is new language. Ms. Reiss stated her belief that it could use additional clarification in order to prevent confusion.

Ms. Reiss mentioned sections 3C and 3D in terms of the explanation containing the actual terms. Restricted Fund Balance Categories includes Restricted Fund Balance and Unrestricted Fund Balance Categories includes Unrestricted Fund Balance.

NEW BUSINESS

VOTER COMMENT

None

ADJOURNMENT

Having concluded the committee's business for the night, **Mr. Smith made a motion to adjourn. Ms. Reiss seconded the motion. The motion passed unanimously (5-0-0) at 8:15 PM.**

Newtown Capital Improvement Plan (CIP) Policy

§ 310-1. Purpose

This policy is designed to assure that Newtown's needs are fully considered in the capital planning process. It helps to assure the sustainability of Newtown's infrastructure by establishing a process for addressing major maintenance, construction, replacement and capital asset acquisition. It strengthens Newtown's borrowing position by demonstrating sound fiscal management and showing the Town's commitment to maximizing benefit to the public within its resource constraints. It establishes a framework in which stakeholders understand their roles, responsibilities, and expectations for the process and end result. It also promotes sound, long-term operational and capital financing strategies.

§ 310 - 2. Goal

- A. The goal in adopting this regulation is to:
 - 1. Prioritize, on a Town-wide basis, proposed major capital assets/projects;
 - 2. Establish a consistent level of spending for such capital assets/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 capital expenditures of the Town of Newtown;
 - 2. Creates a process by which the Board of Finance evaluates, modifies, postpones or eliminates, prioritizes, and monitors proposed capital assets/projects;
 - 3. Creates a process by which the Board of Finance and Legislative Council work compatibly in enacting the above Sections B(1) and (2).

§ 310 - 3. Overview

- A. The Capital Improvement Plan (CIP) is Newtown's five-year program of major capital asset/project acquisitions of a nonrecurring nature. The CIP is based on assigned priorities that consider Town: plans, needs, desires and mandates in the context of current and anticipated financial capability to finance such improvements. A "capital improvement" is defined as any expenditure for equipment, buildings, infrastructure, land acquisition, plan or project in which the total cost exceeds \$200,000.
- B. The CIP shall be reviewed at least annually. The need or idea for capital assets/projects may originate from department heads, boards or commissions. These capital assets/projects items are compiled by the Board of Selectmen and Board of Education. After review and endorsement by the respective boards, each Board presents their

proposed CIP to the Board of Finance. Following the presentations, a combined CIP along with analysis by the Finance Director is presented to the Board of Finance. The Board of Finance shall review and may amend the CIP which is then presented to the Legislative Council for review, amendment and approval.

- C. A "Major Capital Asset/Project" is defined in Section 310-6.
- D. Once the Legislative Council has approved the CIP, the CIP outlines the Town's official intent to fund these expenditures in the subsequent years' budgets. Certain items may be subject to approval by Referendum and/or require bonding authorizations.
- E. Adopting a CIP does not end with the first year. Changing needs, priorities, emergencies, cost changes, funding shortfall, mandates, technology or other circumstances may require changes, deletions or additions to the CIP annually.
- F. The CIP achieves the following objectives as a component of the Town's budget and financial planning process:
 - Minimizes borrowing costs by supporting a high bond rating;
 - Reduces the need for "crash programs" to finance Town Capital Assets/Projects;
 - Focuses attention on community goals, needs and capabilities;
 - Guides future community growth and development;
 - Ensures that projects are well planned in advance of construction;
 - Provides for the orderly replacement of capital assets;
 - Encourages a more efficient governmental administration as well as maintains a sound and stable financial program;
 - Promotes transparency regarding planned major capital assets/projects and their costs.

§ 310 - 4. Implementation and Amendments

Notwithstanding that capital asset/project ideas or needs may originate as indicated in Section 310-3, the Board of Finance is responsible for implementing the Purpose and Goals expressed above in Sections 310-1 and 310-2 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. The final approval and funding appropriation for the CIP is vested in the Legislative Council, unless expressed otherwise in this CIP policy.

§ 310 - 5. Presentation of Proposed Capital Assets/Projects to Board of Finance

Proposed capital assets/projects may be brought to the Board of Finance at any time. However, except for exigent circumstances, as determined by the Board of Finance, requests for changes to the approved CIP shall not be considered by the Board of Finance until the next September through November period.

The following CIP Timing/Schedule shall be followed. Small adjustments to the schedule may be made upon approval by the Finance Director and majority vote of each applicable Board or Council involved in the extension of time.

CAPITAL IMPROVEMENT PLAN TIMING/SCHEDULE:

July/August/September	Board of Selectmen departments prepare their CIP requests First Selectman presents the proposed First Selectmen CIP to the Board of Selectmen Board of Education develops their CIP based on that board's policy and procedure
Board of Finance 3rd meeting in Sept.	Board of Education presents its proposed CIP to the Board of Finance
Board of Finance 1st meeting in October	Board of Selectmen presents its proposed CIP to the Board of Finance Finance Director presents the combined Town of Newtown CIP along with analysis including a Debt Forecast Schedule
By November 30	Board of Finance presents its recommended CIP to the Legislative Council
By January 31st	Legislative Council adopts its approved CIP Legislative Council determines which first year CIP projects go to referendum in April
February/March	Bond resolutions go through the approval process for CIP projects that have been approved for referendum

§ 310 - 6. Eligible Capital Asset/Project

To be eligible for inclusion in the CIP, a proposed capital asset/project expenditure shall have an estimated cost that is at least \$200,000. Listed below are some of the criteria which would make a request eligible for inclusion in the CIP, assuming the proposed project exceeds the financial requirement set forth above:

- A. Incurred debt obligations;
- B. Acquisition or lease of land, improvements to land, easements buildings improvements, and / or development rights;

- C. Purchase of major equipment including vehicles, machinery, works of art, and historic treasures, with life expectancies of 5 years or more;
- D. New construction improvements, renovations, and demolition of facilities and sites, including engineering, design, permitting, and other pre and post construction costs;
- E. Major studies requiring the employment of outside professional consultants;
- F. Infrastructure improvements (streets, sewers, bridges, sidewalks, technology);
- G. Feasibility analysis/design/cost estimates and other professional services relative to anticipated major projects;
- H. Ancillary charges necessary to place the capital asset into its intended location and/or condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees;
- I. Bundling of annual maintenance or dissimilar items in order to reach the \$200,000 threshold is strongly discouraged, and shall be called out for discussion prior to consideration of an exception.

§ 310 - 7. Process

All requests for inclusion in the CIP should adhere to the following process and be submitted on a form as prescribed by the Town Financial Director. While only the first five years of the plan are to be approved, ten years of desired capital assets/projects shall be submitted.

- A. Each Town department and the Board of Education shall prepare a prioritized list of proposed capital assets/projects along with proposed funding source, summary description, and benefit commentary.
 - 1. For departments so indicated by Charter, and the Board of Education, review and seek input from relevant Boards, Councils or Committees (e.g. Public Building and Site Commission, and Sustainable Energy Commission) shall review and comment on the list and projects shall be solicited prior to submission.
 - 2. Reviewed lists created by town departments shall be submitted to the First Selectman.
- B. The First Selectman will evaluate the town department requests and produce a “First Selectman CIP” to be submitted to the Board of Selectmen for review, adjustment and approval;
- C. After presentation of the First Selectman CIP, 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.
- D. Board of Education shall prepare and submit to the Board of Finance a prioritized list of proposed capital assets/projects along with their proposed funding source.
- E. The requesting department or agency will plan for and be responsible for funding any professional estimating for a project in the operational budget. If applicable, alternative sources of funding can and should be identified, such as the Capital Non-Recurring Account, and be reimbursed upon actual borrowing if appropriate.

- F. The Board of Selectmen and the Board of Education shall also include in the request(s) for each capital asset/project, with increasing detail for nearest years:
1. The identification of planned funding: Bonding, General Funds, Special Revenue Funds, and any grants, revenues or reimbursements anticipated and
 2. Project description and project justification
- G. The Town Finance Director shall:
1. Review and compile the Board of Selectmen Proposed CIP and Board of Education Proposed CIP lists into a "Combined CIP" for presentation to the Board of Finance;
 2. Prepare a financial impact statement. including a Bond Forecast Schedule which shows the effect of the Combined CIP on future annual debt payments for at least five (5) years, to ensure adherence to the Town Debt Service Policy.
 3. Prepare Debt Service scenarios for consideration relative to the Debt Service Policy goals.
- H. The Board of Selectmen and Board of Education will each present their capital assets/project requests and the prioritized Combined CIP to the Board of Finance. The Finance Director will present the Bond Forecast Schedule and other analysis.
- I. The Board of Finance will review the Combined CIP.
1. It may reduce a capital assets/project cost and scope; it may transfer capital assets/projects between CIP years, and it may add or eliminate a capital asset/project. Moving or adding a capital asset/project to Year One, should be strictly scrutinized.
 2. The Board of Finance will then sort, within each CIP year, the recommended capital assets/project, based on prioritization as provided from the Board of Selectmen and Board of Education as well as cost and other considerations, and establish a time frame for proceeding with each purchase in view of the financial implications of such a purchase, expenditure or project.
 3. Consideration shall be given to:
 - a. Debt Service Policy
 - b. Necessary maintenance of existing facilities
 - c. Essential public services such as those related to safety
 - d. Budgetary impacts of changes in Debt Service
 4. Rejected capital assets/projects can be resubmitted to the appropriate Board at the first step of the process next fiscal year. If postponed, the request shall be reviewed by the Board of Finance with respect to its new priority level the following fiscal year.
- J. In odd years if the election of a First Selectman results in the election of a person other than the First Selectman who presented the CIP to the Board of Finance in October of that year, that new First Selectman may request changes to the first year of the CIP under review by the Board of Finance and Legislative Council.
- K. The Board of Finance will present their recommended CIP to the Legislative Council by November 30th. The Finance Director will also present to the Legislative Council the Bond Forecast Schedule (updated for any Board of Finance actions).

- L. The Legislative Council will review the Board of Finance recommended CIP. It may accept it in its entirety. It may reduce, transfer between CIP years, eliminate or add capital asset(s)/project(s). As the Legislative Council is ultimately responsible for the Debt Service Policy and sending the budgets to referendum, special consideration will be given to those respective impacts. Moving or adding a capital asset/project to year one will be strictly scrutinized.
- M. Upon any change of the Board of Finance's recommended CIP by the Legislative Council, the Legislative Council shall return its proposed CIP with changes to the Board of Finance for review and recommendation before final approval by the Legislative Council.
 - 1. The failure of the Board of Finance to make any recommendations within ten days of the Legislative Council's proposed CIP, then the Legislative Council's may act without additional recommendation from the Board of Finance..
 - 2. No matter the number of CIP changes by the Legislative Council, the Board of Finance shall have only one post November 30th review and recommendation.
- N. The Legislative Council shall adopt a Town wide CIP and, by January 31st, shall determine which capital assets/projects from year one of the CIP should go to referendum. If the Legislative Council has not passed the final CIP plan by January 31st, the Board of Finance recommended CIP presented to the Legislative Council shall be the final adopted Town wide CIP.
- O. The following should be considered when determining which capital assets/projects go to referendum:
 - 1. Projects that require multiple years of funding or that exceed Legislative Council fiscal authority;
 - 2. Capital assets/projects which, because of their significant cost, may limit the Legislative Council's fiscal authority;
 - 3. Time sensitive projects;
 - 4. Safety and security importance.

§ 310 - 8. Prioritization

The Board of Selectmen, Board of Education, Board of Finance and Legislative Council should consider the following guidelines when recommending the prioritization of individual capital items: (In no particular order)

- A. Projects implementing approved Town plans such the Plan Of Conservation and Development and the Fairfield Hills Master Plan;
- B. Capital items that are one phase of a multiphase project that are expected to exceed Council authority in total should receive priority consideration for referendum;
- C. Significant consideration shall be given to the most costly of the remaining capital items which should go to referendum;
- D. Items that are time-sensitive should receive priority consideration for referendum;
- E. The cost of the purchase;
- F. The impact of the purchase versus the benefit to the Town;

- G. The year it will be implemented;
- H. The source of financing;
- I. Public Safety;
- J. Existing infrastructure;
- K. Economic Development;
- L. Quality of life;
- M. Regulatory Compliance;
- N. Impact on current and future operational budgets;
- O. The benefit or risk to the Town should the purchase not be made.

§ 310 - 9. Town Budget

All purchases that are proposed for the ensuing fiscal year and included in the final Town wide CIP by the Legislative Council shall be included as a proposed expenditure in the budget presented to the Board of Finance. Except for exigent circumstances, any capital improvement expenditure that falls within Section 310-6 of this plan regulation and is not contained in the CIP shall not be considered for implementation until included in the CIP.

§ 310 - 10. Capital Asset/Project Process

- A. The processes used to authorize bonding and appropriations for a capital asset/project are controlled by a series of checks and balances exercised by the executive, finance, and legislative arms of the Town government. These processes are established to ensure that each project or purchase with significant costs is evaluated and examined by persons elected to represent the best interests of the community. Every project accepted into the Capital Improvement Plan, as approved by the Board of Selectmen, Board of Education, Board of Finance and Legislative Council is subject to the same rigorous review. Except for emergency situations, a consistent and documented process should be used to advance every capital project or asset purchase from inception to execution by its requesting agent.
- B. Projects or purchases approved for inclusion in the CIP typically progress from the introductory phase in year ten to the execution phase in year one. However, priorities may change between each annual review. Projects in year one on the CIP are intended for implementation during that fiscal year. Capital Projects to be implemented must go through the bonding and special appropriations processes, as determined by the Charter.
- C. Steps in this process for projects readying for implementation include
 - 1. Bonding funds for requested capital assets/projects:
 - a. The Finance Director causes a bonding resolution to be prepared. The resolution will identify the funds being requested and the purpose of those funds. The department or board with ownership of the proposed project initiates this process through contact with the Director of Finance;

- b. The bonding resolution to fund the proposed project is submitted to Board of Finance for discussion/action;
 - c. If approved by the Board of Finance, the bonding resolution is then submitted to 'Board of Selectmen for discussion/action;
 - d. If approved by the Legislative Council, the resolution is then submitted by Board of Selectmen for discussion/action.
 2. Appropriating funds for projects for which bonding has been approved follows these steps: (Greater detail about the process for appropriating funds for capital projects is described in the Charter)
 - a. A special appropriation request for a capital project is prepared by the Director of Finance in concert with the requesting department;
 - b. The appropriation request is submitted to the Board of Finance for discussion and action;
 - c. If approved, the appropriation request then moves to the Legislative Council;
 - d. The appropriations request if approved by Legislative Council, may also be acted on by the Board of Selectmen or referendum, depending upon the magnitude of funds requested as per the Charter.
 3. Management/oversight of capital/projects: The Public Building and Site Commission shall have control of supervision and construction of capital projects. Should the Public Building and Site Commission determine that it is unable to take on this responsibility, then other building committee or owner's representative may be appointed by the Board of Selectmen or Board of Education.
 - a. The Public Building & Site Commission or "other" authorized building committee will establish appropriate advisory committees; will prepare and issue appropriate Request For Quotations and Request For Proposals; and will select professionals and develop contracts with attorney and purchasing agent's input.
 - b. Contracts in conjunction with all such capital projects shall be authorized by the First Selectman, with approval of the Board of Selectmen, or Board of Education.
 4. Project planning and bidding: Once the special appropriation process is complete and approved by the appropriate levels of government, assignment of the project to the Public Building and Site Commission or "other" building committee may take place, followed by project planning, including the issuance of public bids.