

Board of Finance  
February 8, 2010

The **Board of Finance** held a regular meeting on Monday, February 8, 2010 in the Council Chamber, Newtown Municipal Center, 3 Primrose Street, Newtown, CT. John Kortze called the meeting to order at 7:35 p.m.

**PRESENT:** John Kortze, James Gaston, Marty Gersten, Joseph Kearney, Harry Waterbury and Michael Portnoy

**ALSO PRESENT:** First Selectman Llodra, Finance Director Robert Tait, Board of Education members Lillian Bittman, Kathy Fetchick, Debbie Leidlein, eight members of the public and one member of the press.

**VOTER COMMENTS:** none noted

**COMMUNICATIONS:** Mr. Kortze stated everyone received a copy of an email from Amy Mangold, Director of Parks & Recreation. He also noted Kathy Fetchick of the Board of Education handed out another air quality study for the Middle School. There was discussion on the accounting of the pay to play activities. Mrs. Bittman will look into where the money is being spent. Mr. Kortze noted there is an amount of money budgeted as revenue and asked if we are collecting what has been budgeted. Mr. Kortze suggested that the Town Finance Director look at the Board of Education system. First Selectman Llodra said that appropriations is not ready to determine the level of funding for the excess cost grant because Hartford was late getting all the special needs documentation in relative to the special needs costs. Mr. Kortze requested the Board of Education facilitate the minutes online sooner than the seven day deadline, especially during the budget process. Mr. Kortze submitted a document from Standard & Pools, (Att. A).

**ACCEPTANCE OF MINUTES:** Mr. Gaston moved to accept the meeting minutes of January 11, 2010. Mr. Gersten seconded. Mr. Gaston corrected page two saying it is his understanding that carbon dioxide is not a health hazard, referencing the Brooks Environmental Report. That was also confirmed by Mark Granville of Brooks Environmental. All were in favor of accepting the minutes as amended.

**FIRST SELECTMAN REPORT:** none noted.

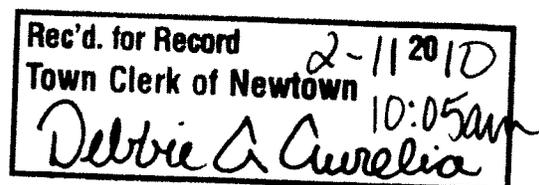
**FINANCE DIRECTOR REPORT:** none noted.

**OLD BUSINESS:**

**Discussion and possible action:**

**CIP:** Mr. Tait handed out a combined Board of Selectman and Board of Education CIP spreadsheet (Att. B) saying the combination of bonding and grants on the Middle School roof changed a little bit since the last spreadsheet. The grant was changed slightly to get the bars beneath 10%.

There was discussion on reimbursement for the Middle School roof. First Selectman



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Llodra stated there the \$45,000 for the design of the roof would generate three different designs which will determine which process will be followed. Mrs. Fetchick said that Dr. Robinson expects to go the reimbursement route.

Mr. Kortze said that the policy of the board is to take the last four years increases and what we thought this year should be as a planning tool but not as what the board would communicate a budget should be. Mr. Tait said that the budget increase for this year was -1.66%, the four years before were 4.6%, a combination of grand list growth and taxes.

The board noted their feelings on the concept of a five year rolling average:

Mr. Gersten feels we are facing the same circumstances as last year, if not worse. The five year rolling average skews it in favor of recent periods. The size of the budget will drive the ability for capital programs. From a budgetary point of view the capital improvement will be extremely slight. The real capacity is \$3.5 to 4 million dollars of new projects. Allocating that between the town and the school board will be difficult. Mr. Kearney thinks the policy is fine and shouldn't be changed each year to fit the condition of the year. If we are going to stick to the policy as a guideline we have to make sure we don't come close to 10%, recognizing that this year will probably be a flat budget.

Mr. Gaston agreed the policy shouldn't be changed every year. The number used in the projections should be a conservative number. The number does not mean the board is prejudging or foretelling the Board of Education or the Town that the board is setting a goal for the budget; just that the number is being considered for the CIP.

Mr. Waterbury said that any increase would be minimal because of potential revenue and thinks that 4.2% is too high.

Mr. Portnoy thinks the policy is fine. It doesn't matter if it's 3% or 4% because we are still bumping up against the arbitrary line of 10%. He thinks the board needs to not only look at the CIP with a discriminating view but also the town operating budgets. He would caution everyone that there is no more money from the state or from building deeds or permits. He wants to keep the budget down.

Mr. Kortze agreed with the board members and said that it's good to follow an instituted policy. He said the board has taken the assumptions down in the past three years. It is not reasonable to expect a positive difference for the upcoming year; it's got to be flat or negative.

Mr. Portnoy moved -5% as a working number for the five year average. Mr. Gersten seconded. Mr. Tait said that would bring it down to under 2%. Mr. Gersten asked what the remaining spread would be between existing debt service and the 10% cap if we used 2.92%. Mr. Tait answered \$28,000,000. Mr. Tait reported the numbers used for the the last four years and currently are 5.96%, 4.73%, 5.59%, -1.66% and zero. The motion failed (YES: Portnoy); (NO: Gaston, Gersten, Kearney, Waterbury and Kortze).

Mr. Gaston moved 2.92% as a working number for a five year average. Mr. Gersten seconded. All in favor. The estimate for capital spending is \$4,000,000.

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Further conversation revolved around the CIP and the debt cap and the reality of the projects in the CIP versus the money allotted for each year. Some projects are safety issues, there is a reluctance to exceed the 10%. Mr. Gersten said that we cannot afford to do all that we want to do or need to do; the money is just not there. It will be difficult to do capital expenditures on the town side. Mr. Tait said there are options .

**NEW BUSINESS:**

**Discussion and possible action:**

**Public Hearing Date:** Mr. Tait explained that he will not have enough time to publish the information required for the public hearing based on the Board of Education budget timeline. The Public Hearing will be rescheduled for Thursday, February 25 to be held prior to the budget deliberation at the Municipal Center.

**Transfer:** Mr. Gaston moved the transfer from 01570 2000 Contingency Fund to 01890 0000 Transfer Out – Cap Project, in the amount of \$19,000. Mr. Gersten seconded. All in favor.

Mr. Gaston moved the transfer from 01570 2000 Contingency Fund to 01100 2013 Selectman Expenses, in the amount of \$1,000. Mr. Gersten seconded. All in favor.

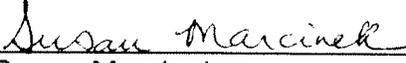
First Selectman Llodra presented the Selectmen budget binders to the Board saying that it is good planning to have a bridge per year in the CIP. She also spoke of the amended budget and explained briefly some of the increases in certain line items.

**ANNOUNCEMENTS:** none

**ADJOURNMENT:**

Having no further business, the Board of Finance adjourned their regular meeting at 10:10 p.m.

Respectfully Submitted,

  
\_\_\_\_\_  
Susan Marcinek

Att. A: Standard & Poors document  
Att. B: CIP

February 4, 2010

**Summary:**

Newtown, Connecticut; General  
Obligation; Note

**Primary Credit Analyst:**

Linda Yip, New York (1) 212-438-2036; linda\_yip@standardandpoors.com

**Secondary Credit Analyst:**

Karl Jacob, New York (1) 212-438-2111; karl\_jacob@standardandpoors.com

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**Summary:**

# Newtown, Connecticut; General Obligation; Note

## Credit Profile

US\$20. mil BANs dtd 02/24/2010 due 02/23/2011

*Short Term Rating*

SP-1+

New

US\$14.23 mil GO bnds ser 2010 dtd 02/15/2010 due 02/15/2011-2028

*Long Term Rating*

AA+/Stable

New

## Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating, and stable outlook, to the town of Newtown, Conn.'s series 2010 general obligation (GO) bonds and its 'SP-1+' short-term rating to the town's GO bond anticipation notes (BANs).

The ratings reflect our assessment of the town's:

- Affluent community with access to regional employment centers in the county and New York City,
- Strong property wealth levels,
- History of sound financial operations, and
- Low debt burden.

The town's full faith and credit pledge secures the bonds and BANs. Officials have indicated they plan to use proceeds to fund various capital improvement projects for the town, including additions and renovations to its high school.

Newtown is in Fairfield County in southwestern Connecticut. According to estimates provided by the state, the town's 2009 population increased by 5.6% since 2000 to an estimated 26,441. The town is traversed by Interstate 84 and U.S. routes 6 and 302, providing residents with easy access to employment centers in the county and New York. Newtown Board of Education is the largest local employer with 880 employees. Other leading local employers include a state prison (305 employees) and Masonicare of Newtown (282), a nursing home. Most of the town's residents commute to other parts of the county and Westchester County in New York for employment. Given the town's access to a variety of employment centers, town unemployment averaged 7.5% in 2009, lower than state and national rates. Median household effective buying income is, in our opinion, a very strong 164% and 198% of state and national averages, respectively.

Over the past five years, the town has experienced modest property tax base growth. The equalized net taxable grand list averaged an annual increase of about 4.1%; it reached \$5.8 billion in fiscal 2009, or an extremely strong \$219,444 per capita. There is little concentration in the taxpayer base with the 10 leading taxpayers accounting for a very diverse 5.6% of assessed value.

Financial operations over the past three fiscal years have, in our view, been sound with the town maintaining an

unreserved general fund balance in excess of 6% of expenditures. Despite a \$1.5 million operating deficit in fiscal 2009, the town managed to end the fiscal year with a \$9.6 million unreserved general fund balance, or a strong 9% of expenditures. Management attributes this decline, in large part, to a cut in revenues from the state that resulted in \$11.2 million less than what the town received in fiscal 2008. Intergovernmental revenues, however, account for just 12.5% of total general fund revenues while property taxes generate 85.1%. Officials balanced the fiscal 2010 budget with a \$2 million use of fund balance. Management believes the town might come close to using the full amount due to the likely possibility of additional state revenue cuts.

Standard & Poor's views Newtown's financial management practices "good" under its Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

In our opinion, the town's debt burden is at low-to-moderate levels. Net direct debt is a moderate \$3,746 per capita, or a low 1.7% of market value. Carrying charges account for a moderate 8.1% of fiscal 2009 expenditures. Including the new bonds, officials are planning to retire roughly 75% of principal over the next 10 years. Officials intend to issue roughly \$56 million of additional GO debt over the next five years to fund the town's \$98 million capital improvement plan. Despite the town's sizable additional debt and capital plans, management believes it will be able to adhere to the limits established under its adopted debt policy.

## **Outlook**

The stable outlook reflects our assessment of the town's stable local economy with access to stronger economic centers in the county and New York State. Despite additional pressures from further state revenue reductions and capital needs, Standard & Poor's expects the town will continue to maintain a good financial position and sustainable debt burden.

## **Financial Management Assessment: 'Good'**

Standard & Poor's views Newtown's financial management practices "good" under its FMA methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

Budget assumptions are, in our view, conservative; and management monitors financial performance and reports the results to the board monthly. There is no formal multiyear plan on operations; but the town maintains a five-year capital improvement plan, which is publicly available, that it updates annually. An adopted debt management policy requires the town to amortize at least 50% of its GO debt outstanding in less than 10 years and maintain carrying charges of no more than 10% of the general fund budget. Furthermore, the town adopted a reserve policy in 2008 stating it is to maintain the unreserved general fund balance between 5% and 16% of budgeted operating expenditures; amounts in excess of 16% will fund capital projects and other one-time uses. Should the unreserved fund balance fall below the 5% minimum, the finance director would be expected to recommend, and submit to the board, a plan to replenish reserves back up to the 5% level within a specific period.

**TOWN OF NEWTOWN**  
**COMBINED BOS - BOE CIP (2010 - 2011 TO 2014 - 2015) - January 25, 2010**

RANK	2010 - 2011 (YEAR ONE)				Proposed Funding			
	Amount Requested	Dept. P & R	Bonding	Grants	General Fund	Other		
	<b>BOARD OF SELECTMEN</b>							
1	Renovations for Maintenance Facility	PW	350,000					
2	Bridge Replacement (Old Mill Dam)	PW	450,000					
3	Capital Road Program	PW	1,500,000					
4	Hook & Ladder Building	PUBLIC SAFETY	1,500,000			1,500,000		
4	FFH Infrastructure Phase I of Electric/Comm. Underground	FFH	325,000					
4	FFH Parking Lots, Roadways - Complete Center Green	FFH	100,000					
4	FFH Building Demolition - Danbury Hall	FFH	275,000					
4	FFH Walking Trails	FFH	275,000					
4	Sandy Hook Streetscape	ECONOMIC DEV	200,000					
4	Water Main Extension	ECONOMIC DEV	450,000					
5	Open Space Acquisition Program	LAND USE	1,500,000					
	<b>BOARD OF EDUCATION</b>							
1	Middle School Sloped Roof Replacement	BOE	600,956					
2	Middle School Flat Roof Replacement	BOE	4,592,389					
3	Hawley Elem. HVAC Design Fees for Three Phase Project	BOE	350,000				1,687,836	
			12,468,345				1,687,836	1,500,000
	<b>2011 - 2012 (YEAR TWO)</b>							
	<b>BOARD OF SELECTMEN</b>							
1	Bridge Replacement (Poverty Hollow Bridge)	PW	407,000					
1	Capital Road Program	PW	1,500,000					
2	Community Center Design Phase I	P & R	700,000					
2	Dickenson Park Playground / Sprayground	P & R	750,000					
2	Infrastructure Treadwell Park	P & R	350,000					
3	Sandy Hook Streetscape	ECON DEV	200,000					
4	FFH Infrastructure Phase II of Electric/Comm. Underground	FFH	325,000					
4	FFH Building Demolition - Shelton Hall	FFH	1,800,000					
5	Open Space Acquisition Program	LAND USE	1,500,000					
	<b>BOARD OF EDUCATION</b>							
1	Hawley HVAC Phase I Boiler / Electrical	BOE	3,000,000					
			10,532,000					1,500,000

**TOWN OF NEWTOWN**  
**COMBINED BOS - BOE CIP (2010 - 2011 TO 2014 - 2015) - January 25, 2010**

**2012 - 2013 (YEAR THREE)**

**BOARD OF SELECTMEN**

RANK	Dept. P & R	Amount Requested	Bonding	Grants	General Fund	Other
1	PUBLIC SAFETY	6,000,000	6,000,000			
2	PW	375,000	375,000			
3	PW	1,500,000			1,500,000	
4	PW	280,000	280,000			
5	ECONOMIC DEV	200,000	200,000			
6	LAND USE	1,500,000	1,500,000			
	FFH	100,000	100,000			
<b>BOARD OF EDUCATION</b>						
1	BOE	2,200,000	2,200,000			
2	BOE	4,391,846	4,391,846			
		16,546,846	15,046,846		1,500,000	

**2013 - 2014 (YEAR FOUR)**

**BOARD OF SELECTMEN**

RANK	Dept. P & R	Amount Requested	Bonding	Grants	General Fund	Other
1	PW	5,300,000	5,300,000			
2	PW	1,500,000			1,500,000	
3	PW	450,000	450,000			
4	ECONOMIC DEV	200,000	200,000			
5	FFH	400,000	400,000			
	LAND USE	1,500,000	1,500,000			
<b>BOARD OF EDUCATION</b>						
1	BOE	1,600,000	1,600,000			
2	BOE	1,775,545	1,775,545			
3	BOE	3,692,736	3,692,736			
		16,418,281	14,918,281		1,500,000	

**2014 - 2015 (YEAR FIVE)**

**BOARD OF SELECTMEN**

RANK	Dept. PW	Amount Requested	Bonding	Grants	General Fund	Other
1	PW	420,000	420,000			
1	PW	1,500,000			1,500,000	
2	FFH	1,725,000	1,725,000			
3	LAND USE	2,000,000	2,000,000			
4	PUBLIC SAFETY	800,000	800,000			
5	ECONOMIC DEV	200,000	200,000			
<b>BOARD OF EDUCATION</b>						
1	BOE	1,439,338	1,439,338			
2	BOE	19,216,036	14,220,036	4,996,000		
		27,300,374	20,804,374	4,996,000	1,500,000	
		83,265,846	69,082,010	6,683,836	7,500,000	

**GRAND TOTALS**

**\$36,000,000 CIP - 4.2 %**

**DO NOT ENTER BELOW. ENTER IN THE INDIVIDUAL FORECAST TABS**

Fiscal Years Ending	2010 - 2011		2011-2012		2012 - 2013		2013 - 2014		2014 - 2015		Total	Debt Service Fiscal Year Total	Forecasted Debt Total	General Fund Budget (using 4.2% increases)	Debt Service as a % of Budget	9% of Budget	10% of Budget	Estimated Debt Service	Difference
	Forecasted 2010 Bond Issue (01/15/2010)	Forecasted 2011 Bond Issue (01/15/2011)	Forecasted 2012 Bond Issue (01/15/2012)	Forecasted 2013 Bond Issue (01/15/2013)	Forecasted 2014 Bond Issue (01/15/2014)	Forecasted 2015 Bond Issue (01/15/2015)	Debt Service Fiscal Year Total												
06/30/2010	14,230,000	16,000,000	16,000,000	6,000,000	9,000,000	9,000,000	9,000,000	9,762,953	102,910,715	9,261,964	10,291,072	9,762,953	528,119						
06/30/2011	1,339,395	1,379,465	1,240,000	1,216,000	540,000	810,000	9,596,928	1,339,395	102,910,715	9,333%	10,291,072	9,596,926	694,146						
06/30/2012	7,937,584	1,346,980	1,192,000	1,168,000	1,144,000	1,370,000	10,557,049	2,619,465	107,232,965	9.84%	10,723,297	10,557,049	166,248						
06/30/2013	7,680,884	1,314,495	1,192,000	1,168,000	1,144,000	1,370,000	11,483,864	3,802,980	111,736,750	10.28%	11,173,875	11,483,864	(310,189)						
06/30/2014	7,341,285	1,282,010	1,192,000	1,168,000	1,144,000	1,370,000	11,803,780	4,262,495	116,429,693	9.97%	11,642,969	11,803,780	39,189						
06/30/2015	7,110,689	1,249,347	1,144,000	1,168,000	1,144,000	1,370,000	12,090,698	4,980,010	121,319,740	9.97%	12,131,974	12,090,698	41,275						
06/30/2016	6,890,347	1,217,040	1,144,000	1,168,000	1,144,000	1,370,000	12,569,872	5,679,525	126,415,169	9.94%	12,641,517	12,569,872	71,645						
06/30/2017	4,068,278	1,184,555	1,336,000	492,000	756,000	774,000	10,063,092	5,801,040	131,724,606	7.64%	13,172,461	10,063,092	3,109,369						
06/30/2018	3,879,151	1,152,070	1,302,000	480,000	738,000	756,000	9,920,833	5,912,555	137,257,040	7.23%	13,725,704	9,920,833	3,804,871						
06/30/2019	3,323,201	1,119,585	1,268,000	468,000	720,000	738,000	9,643,221	5,764,070	143,021,835	6.74%	14,302,184	9,643,221	4,658,963						
06/30/2020							8,938,786	5,615,585	149,028,753	6.00%	14,902,875	8,938,786	5,964,089						

**FIVE YEAR BORROWING AMOUNT \***

56,000,000 ←

Less high school addition, five year CIP total = \$36,000,000

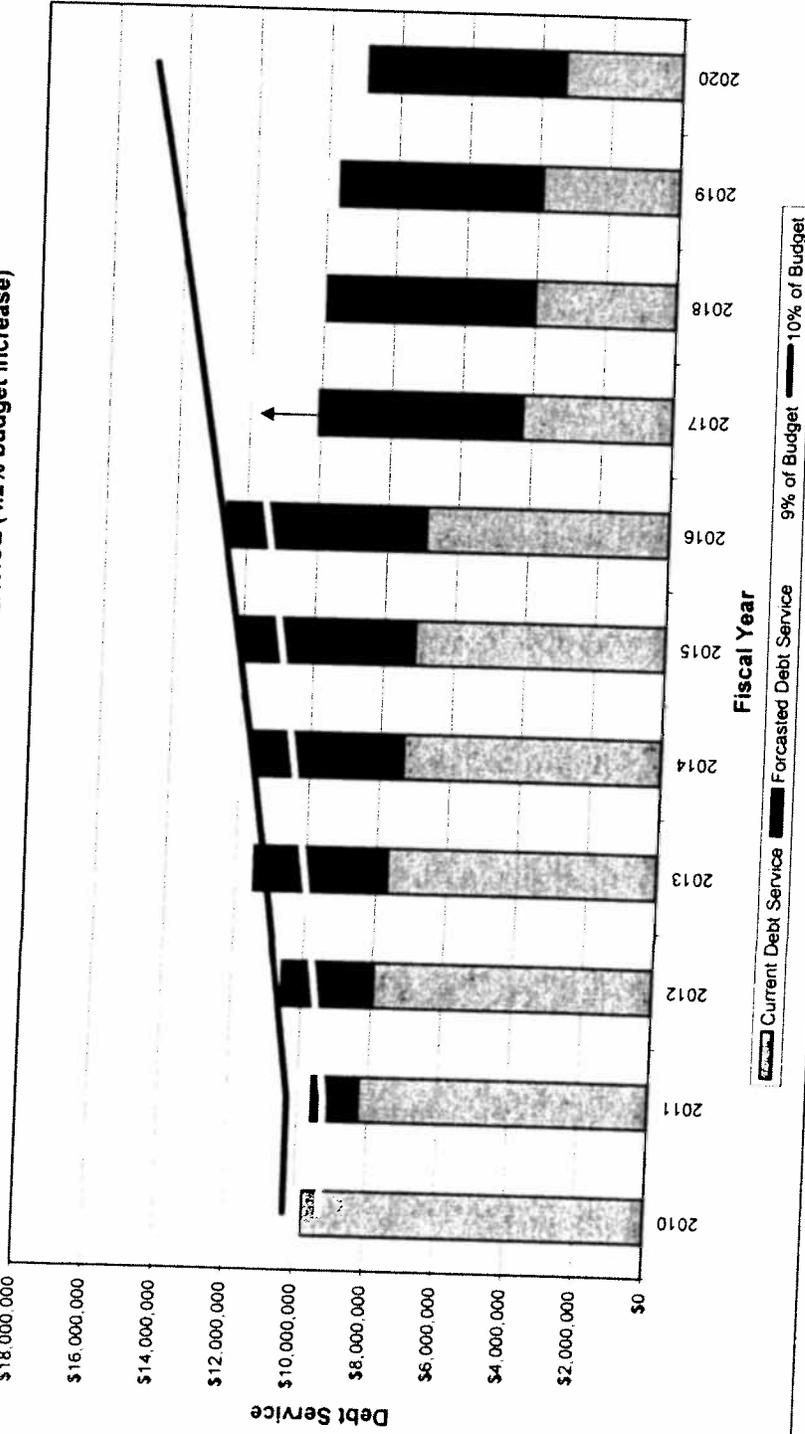
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Includes \$10,000,000 for high school addition (borrowed monies short term during construction); leaves \$6,000,000 for new projects

2010 Bond Issue	Tilson soccer field	Fire truck	Police radio	Treadmill pool	P & R maint facility	Dickinson park	Open space	Modular classrooms	NYA parking lot	High school addition
10,000	550,000	494,000	405,000	350,000	620,000	1,503,714	897,286	3,400,000	6,000,000	14,230,000

**ASSUMING A 4.2% BUDGET INCREASE (A COMBINATION OF INCREASE IN GRAND LIST AND INCREASE IN MILL RATE):**

**TOWN OF NEWTOWN  
2010 - 2011 CIP EFFECT ON FUTURE DEBT SERVICE (4.2% budget increase)**



FISCAL YEAR				
2010 - 2011	2011 - 2012	2012 - 2013	2013 - 2014	2014 - 2015
16,000,000	16,000,000	6,000,000	9,000,000	9,000,000

**BORROWING AMOUNT**  
**AMOUNT AUTHORIZED IN PRIOR YEAR \***

10,000,000	10,000,000			
6,000,000	6,000,000	6,000,000	9,000,000	9,000,000

**CIP AMOUNT**

\* High school

**NEWTOWN BOARD OF EDUCATION  
SUMMARY - CAPITAL IMPROVEMENT PLAN  
2010/11 TO 2014/15**

**FINAL APPROVED**

1/12/2010

CIP Item #	Location	Description of Project	2010/11	2011/12	2012/13	2013/14	2014/15	TOTALS
1	Middle School	Re-roof sloped shingled roof						
2	Middle School	Flat roof replacement to code	\$600,956					
			\$4,592,389					\$5,193,345
3	Hawley Elem.	HVAC Design Fees for proposed three phase project	\$350,000					
4	Hawley Elem.	HVAC Phase I Boiler/Electrical replacement and upgrade		\$3,000,000				
10	Hawley Elem.	HVAC Phase II Ventilation system installed						
11	Hawley Elem.	HVAC Phase III Split/Systems Air Conditioning		\$2,200,000				
						\$1,600,000		\$7,150,000
5	Sandy Hook	Replace air handlers, upgrade heating system, add air cond.						
						\$4,391,846		\$4,391,846
6	Middle Gate	HVAC - replace 2 boilers, identified exhaust fans, temperature regulators, install air conditioning						
						\$1,775,545		\$1,775,545
7	Middle School	Design Fees - Phase I of III to renovate and comply with code						
9	Middle School	Phase II - HVAC, code compliance, improve classrooms (D Wing), media center, cafeteria					\$3,692,736	
							\$19,216,036	\$22,908,772
8	High School	Renovate auditorium including ADA code, replace duct work, lighting, seating and fire sprinkler system						
							\$1,439,338	\$1,439,338
<b>TOTAL COSTS OF ALL PROJECTS</b>			\$5,543,345	\$3,000,000	\$6,591,846	\$7,068,281	\$20,655,374	
<b>TOTAL TO BE BONDED</b>			\$3,855,509	\$3,000,000	\$6,591,846	\$7,068,281	\$15,659,374	