

BOARD OF FINANCE MINUTES

REGULAR MEETING

3 Primrose Street – Council chambers

Thursday February 17, 2022 at 7:30pm

*These minutes are subject to approval by the Board of Finance.*

Present: John Madzula, Laura Miller, Erica Sullivan and Steve Goodridge

Also Present: Dan Rosenthal and Bob Tait

Absent: Chandravir Ahuja and Geoffrey Dent

Chair Madzula opened the meeting at 7:33 with the Pledge of Allegiance.

There was no public.

Mr Madzula will be sending questions to BOE Friday. They will be offered the opportunity to answer in person or by email. The members agreed that Wednesday the 23<sup>rd</sup> would work for them for a special meeting. This was the day the BOE could make it if they chose to appear in person. Mr Lord from the library also stated he would be happy to appear. There are no questions for him as of yet so Mr Madzula will touch base and invite him to the special meeting if he would like to meet with the Board.

Ms Sullivan moved to accept the minutes of February 15, 2022. Ms Miller 2<sup>nd</sup> – approved.

First Selectman's Report – The S&P came back well. It was a good solid report. Mr Rosenthal expressed his appreciation for the work of Mr Tait and Ms Prezler.

Finance Director Report – We have received a AAA/Stable rating. Mr Tait gave overview of the S&P report (attached)

Ms Miller reported on the Recycle subcommittee. They have been researching the direction of the industry. They have had guest speakers at their meetings. Few towns are doing curb side recycling. Volume has not really changed. Haulers are not prepared for the separation of items. They do not have the separate compartments on their trucks. About 50% of our residents participate. If we stop curbside, the transfer station will need to be enhanced. Garbage companies are supposed to offer recycling so if we stop curb side residents will have the choice of having their garbage company pick up or bringing it to the transfer station. The transfer station will need to have some changes made so the those dropping off their trash will not be stuck in the recycle line.

Arpa Grant – Ms Sullivan reported on this. Hawley HVAC funds were approved by the voters already. The committee has approved and moved on to the next step of the process: replace water distribution FHH (CIP), sewer upgrade FHH (CIP), multi-purpose building roof, COVID supplies/expenses, repair fire suppression tanks, reimburse Town health medical insurance fund for COVID expenses since 3/3/2021; NUSAR, Ambulance and 4 Fire Departments

Emergency Communications upgrade which would help with the dead zones on Eden Hill, Dinglebrook and Great Quarter this will assist our emergency personnel in those areas.

Mr Madzula welcomed Mr Hurley and thanked him for coming to meet with the Board.

Mr Hurley explained that the up and down freezing happening this year creates more potholes than large snowfall years. They are using for supplies due to this issue. Road crews assess road conditions and submit to engineer who forwards to Selectmen. Road plans come out April/May. Chip sealing costs \$5-6,000 per mile and extends life 5-7 years while paving runs \$125-300,000 per mile and can go up to \$450,000 with structural damage. This has a 12 year life with maintenance. Working towards getting to all roads before they fail structurally. Talked about problems of metal pipes collapsing and concrete pipes lasting longer than we will.

All roads are swept on a rotating basis except the lakeside streets which are done first for environmental reasons. We have over 9000 basins in town and about ½ are done each year.

Gas and Oil cost per gallon is from the CROG bid. The bid should be ready within the next couple weeks. They are worried about this number with the numbers fluctuating so much. Prices have changed since the budget was submitted so the amount may have to be adjusted.

Extensive information on electricity, solar and virtual net metering. Ways the town is saving money on this line item.

Explained about the rails repair on trucks and how it extends life.

Way behind on street signs which includes traffic signs the PD issues. OSHA requires the safety courses. Computers are a big part of the job. Work orders, purchase orders and as a diagnostic tool. Required training to meet FEMA projects requirements.

There is a lot of pending legislation regarding recycling coming up.

Increase in Contractual Services is due to decision to outsource the new Police Department building maintenance instead of putting an employee in there.

Mr Madzula thanked Mr Hurley for coming.

Ms Sullivan moved to adjourn the meeting and Mr Goodridge 2<sup>nd</sup>. With no further business Mr Madzula adjourned the meeting at 8:52.

Respectfully submitted,

LeReine Frampton, temporary clerk

# RatingsDirect®

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## Summary:

# Newtown, Connecticut; General Obligation

### Primary Credit Analyst:

Krystal Tena, New York + 1 (212) 438-1628; [krystal.tena@spglobal.com](mailto:krystal.tena@spglobal.com)

### Secondary Contact:

Christian Richards, Washington D.C. + 1 (617) 530 8325; [christian.richards@spglobal.com](mailto:christian.richards@spglobal.com)

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## Summary:

# Newtown, Connecticut; General Obligation

| Credit Profile                                |            |          |
|---|------------|----------|
| US\$8.43 mil GO bonds ser 2022 due 03/15/2042 |            |          |
| Long Term Rating                              | AAA/Stable | New      |
| Newtown GO                                    |            |          |
| Long Term Rating                              | AAA/Stable | Affirmed |
| Newtown GO rfdg                               |            |          |
| Long Term Rating                              | AAA/Stable | Affirmed |

## Rating Action

S&P Global Ratings assigned its 'AAA' long-term rating to Newtown, Conn.'s 2022 general obligation (GO) bonds. At the same time, we affirmed our 'AAA' rating on the town's existing GO debt. The outlook is stable.

Newtown's full-faith-and-credit pledge and agreement to levy ad valorem property taxes, without limitation as to rate or amount, secure the bonds.

Officials intend to use 2022 bond proceeds to fund various capital and infrastructure projects in line with the town's capital improvement plan (CIP).

### Credit overview

The rating and outlook reflect the town's consistent financial results, leading to strict maintenance of very strong reserve levels, which we expect to continue. A very strong management environment, strengthened by a very strong economic profile and low fixed costs, further supports the rating. The town's consistently strong financial performance has led to improving reserves over several years, which we expect to stay about level for the foreseeable future. Furthermore, we expect the town's very manageable fixed-cost burden to remain as such, further solidifying our view of the town's overall credit quality.

We rate Newtown higher than the nation because we believe the town can maintain better credit characteristics than the nation in a stress scenario, based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. (For further information, please see our criteria, titled "Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions," published Nov. 19, 2013, on RatingsDirect.) In 2020, local property taxes generated 83% of general fund revenue on a generally accepted accounting principles (GAAP) basis, demonstrating a lack of dependence on central government funding.

The long-term rating further reflects our view of the following factors:

- Residential economy with very strong economic metrics and access to a broad and diverse metropolitan statistical area (MSA);

- Formalized and strong adherence to financial management policies, and strong institutional framework score;
- Consistent and at least break-even budgetary results and equally steady and strong reserve level; and
- Manageable fixed costs expected to stay relatively stable.

### Environmental, social, and governance factors

We analyzed Newtown's environmental, social, and governance risks relative to the town's economy, management, financial measures, and debt and liability profile, and determined that all are in line with our view of the sector standard.

## Stable Outlook

### Downside scenario

If Newtown were to experience budgetary pressure, resulting in negative operations leading to a significant deterioration of available reserves, we could lower the rating.

## Credit Opinion

### Primarily residential economy with continued incremental growth

Newtown residents have access to employment centers in the county and New York City. While the town is largely residential, management is working actively to expand the commercial base, particularly within the town's designated business districts. The town's grand list (assessed values) grew by 3.4% from grand list 2020 to grand list 2021, representing growth in both real estate values and in motor vehicle assessments. New construction development of residential single family and rental apartments also remains steady, with two of the largest apartment complexes, Farrell Communities at Sandy Hook and Covered Bridge, already included in the town's top taxpayer list though still under construction, valued at \$7.8 million and \$10.4 million, respectively.

We expect our view of the town's economic profile to remain unchanged over the near term. We believe its wealth and income metrics, as well as underlying tax base, remain stable, further supported by participation in a broad and diverse MSA. We believe incremental growth in the tax base is likely to continue.

### Very strong management environment with formalized policies that are consistently followed

Highlights of the financial management environment include:

- The use of three years of historical data to inform revenue and expenditure assumptions;
- An annually updated budget forecasting tool, which projects out 10 years, to examine potential revenue or expenditure trend deviations;
- A CIP that identifies projects and funding for the next five years and is updated annually; and
- Monthly financial reporting, including reviewing revenue and expenditure performance and investment performance.

Newtown also has a formally adopted investment policy, which mirrors state law. Its debt management policy limits

debt service to 9% of general fund expenditures, requires 50% amortization of outstanding GO debt within 10 years, and sets a refunding target of at least 2%. We believe the town incorporates long-term debt monitoring and planning into its long-term financial and capital planning. Finally, the reserve policy calls for an unassigned fund balance of 8%-12% of total general fund expenditures based on cash-flow needs. Historically, management has adhered to its debt-management and reserve policies.

**Consistently positive operating performance and strong reserve levels due to strict adherence to conservative budgeting**

Local property taxes consistently account for more than 80% of audited revenues, while intergovernmental is less than 15%. We believe this provides inherent predictability in the town's budgeting. After adjusting for recurring and one-time transfers impacting the general fund, Newtown's fiscal 2021 operational results were positive due to favorable variances in revenues, resulting from stronger than expected property tax (building activity) revenues, and conservative budgeting in state aid. The town also experienced savings in expenditures primarily due to pandemic-related restrictions.

The town has been allocated about \$7.6 million in total stimulus funds, including American Rescue Plan Act funds, of which it received half in June 2021. The town has allocated \$2.5 million of these funds to a school ventilation project, with the rest being designated for capital expenditures for planned projects.

The town's fiscal 2022 budget is about level with the prior year, with no material changes. Year-to-date, expenditures are tracking with the budget while revenues, including building permits, state aid, and property tax collection have exceeded budgeted forecasts. As a result, we expect the town to have at least break even results at the end of fiscal year 2022.

Likewise, the town consistently maintains strong available reserve levels, which it targets to keep at 12% in accordance with its fund balance policy. We do not expect any material change in reserves as a percentage of operating expenditures, given recent performance and our expectation that over the long term, the town will maintain at least balanced financial results.

Newtown has also consistently maintained very strong cash reserves, with its overall liquidity profile further supported by demonstrated strong access to external liquidity through frequent GO debt and note issuance. The town is not aggressive in its use of investments, and it does not have any financial instruments that could strain its cash position.

**Strong and manageable debt and contingent liability profile**

Following this issuance, the town has approximately \$86.4 million in debt outstanding. According to its capital improvement plan, it expects to issue approximately \$19 million in new-money debt over the next two years, which we believe could have a material effect on debt ratios. However, given the rapid amortization and low debt-to-market values, along with limited retirement liability credit pressure, we do not expect to revise our view of the town's debt profile.

Pension and other postemployment benefits (OPEB) highlights:

- We do not view pension and OPEB liabilities or costs as a source of credit pressure for Newtown despite our expectation that costs will increase.

- The town has made progress in adopting increasingly conservative assumptions, which we expect to continue.

Newtown participated in the following pension plan as of June 30, 2021:

- Newtown Employees' Pension Plan and Newtown Police Officers' Pension Plan, referred to collectively as "the town plan": 87.7% funded, \$8.4 million net pension liability.

Newtown's combined required pension and actual OPEB contributions totaled 1.8% of total governmental fund expenditures in 2021. The town made 100% of its annual required pension contribution in 2020. The pension plan is closed to new hires, who participate in a defined-contribution plan.

Newtown also offers OPEBs to some retirees in the form of a health-care plan. Eligible retirees receive benefits until Medicare age. The town contributes \$200,000 to its OPEB trust, as well as annual retiree medical costs. Newtown's net OPEB liability is \$4.3 million. Its liability is 48.5% funded. As the pension plan is relatively well funded with low annual costs, with management working to limit future liability growth and demonstrated funding of OPEB liabilities, we do not expect significant pressure from retirement liabilities or costs.

### Strong institutional framework

The institutional framework score for Connecticut municipalities is strong.

| Newtown, Connecticut Key Credit Metrics                   |             |                        |           |        |
|---|-------------|------------------------|-----------|--------|
|   | Most recent | Historical information |           |        |
|   |             | 2021                   | 2020      | 2019   |
| <b>Very strong economy</b>                                |             |                        |           |        |
| Projected per capita EBI % of U.S.                        | 151         |                        |           |        |
| Market value per capita (\$)                              | 167,842     |                        |           |        |
| Population  |             | 27,822                 | 29,016    | 29,148 |
| County unemployment rate(%)                               |             |                        | 7.9       |        |
| Market value (\$000)                                      | 4,669,710   | 4,660,657              | 4,557,101 |        |
| Ten largest taxpayers % of taxable value                  | 4.4         |                        |           |        |
| <b>Strong budgetary performance</b>                       |             |                        |           |        |
| Operating fund result % of expenditures                   |             | 1.2                    | 0.4       | 0.6    |
| Total governmental fund result % of expenditures          |             | 0.9                    | 0.8       | 0.8    |
| <b>Strong budgetary flexibility</b>                       |             |                        |           |        |
| Available reserves % of operating expenditures            |             | 12.8                   | 12.9      | 12.7   |
| Total available reserves (\$000)                          |             | 16,887                 | 17,117    | 16,393 |
| <b>Very strong liquidity</b>                              |             |                        |           |        |
| Total government cash % of governmental fund expenditures |             | 23                     | 18        | 16     |
| Total government cash % of governmental fund debt service |             | 331                    | 255       | 240    |
| <b>Very strong management</b>                             |             |                        |           |        |
| Financial Management Assessment                           | Strong      |                        |           |        |
| <b>Very strong debt &amp; long-term liabilities</b>       |             |                        |           |        |
| Debt service % of governmental fund expenditures          |             | 6.8                    | 6.9       | 6.8    |

| Newtown, Connecticut Key Credit Metrics (cont.)   |             |                        |      |      |
|---|-------------|------------------------|------|------|
|   | Most recent | Historical information |      |      |
|   |             | 2021                   | 2020 | 2019 |
| Net direct debt % of governmental fund revenue  | 60          |                        |      |      |
| Overall net debt % of market value  | 1.9         |                        |      |      |
| Direct debt 10-year amortization (%)  | 67          |                        |      |      |
| Required pension contribution % of governmental fund expenditures   |             | 1.7                    |      |      |
| OPEB actual contribution % of governmental fund expenditures  |             | 0.1                    |      |      |
| <b>Strong institutional framework</b>   |             |                        |      |      |
| EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments. |             |                        |      |      |

## Related Research

Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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----- Forwarded message -----

From: **John Madzula** <[jmbfnewtown@gmail.com](mailto:jmbfnewtown@gmail.com)>

Date: Thu, Feb 17, 2022 at 3:34 PM

Subject: Highway Dept

To: Dan Rosenthal <[dan.rosenthal@newtown-ct.gov](mailto:dan.rosenthal@newtown-ct.gov)>

Good afternoon Dan

Thank you again for arrange the Highway Department for tonight's meeting.

I was able to field a few questions which I figured I would provide ahead of time to you and Fred.

1. pg 169: Road patching materials: there is 10 miles planned for pavement and associated work and then 15 miles for chip sealing. Could DPW provide a cost per mile for both items if possible.
2. Is drainage work required for every road in the 10 mile plan ; cross reference with pg 171 statistics
3. How long/life does chip sealing last and what is the percentage of roads chip sealed in town vs paved.
4. Where does street sweeping and storm drain cleaning figure into the budget lines/items? What happens if all roads are scheduled and money is approved to be spent for say drain cleaning and it does not occur on various streets. Does that road or roads get placed on the schedule next year, is there a credit back for the unperformed work?
5. Pg 170: How old is the Wausau snow plow. It says plow has been in service for "many years" only. What is a life expectancy/service life of a plow like this.
6. Pg 170: please explain the body and frame replacement requests. How long is the actual truck/engine good for after replacing the frame or rails? That is, the request states it will extend the life of the truck, which part of the truck so to speak.
7. pg 164, 168: do you expect to use the full amount for street signs in the budget as requested
8. Pg 168: what are the safety courses and computer training seminars offered to employees?

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Very truly yours,