

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE.

The Board of Finance held a regular meeting on Monday, August 14, 2017 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman John Godin called the meeting to order at 7:31 pm.

**Present:** James Gaston, John Godin, Kelley Johnson, Mark Boland, Sandy Roussas.

**Absent:** Aaron Carlson.

**Also Present:** First Selectman Pat Llodra and 2 members of the public.

**VOTER COMMENT** – None.

**COMMUNICATIONS** – Ms. Llodra reviewed communications in the First Selectman Report.

**MINUTES - Mr. Gaston moved to approve the minutes of the 7/27/2017 meeting. Ms. Johnson seconded.** Mr. Godin explained that the motion regarding the Covered Bridge Tax Incentive was taken off the table to start discussion, it will be put on the agenda for the next meeting. Mr. Godin also wanted to clarify his comment regarding who is clearing the land, the comment should read: “He will support it but with reluctance because *the developer* is already clearing the land.” **Mr. Gaston moved to approve the minutes of the 7/27/2017 meeting with these two clarifications, motion unanimously approved to reflect clarifications.** (Ms. Roussas abstained.)

**FIRST SELECTMAN REPORT** – Ms. Llodra reviewed three letters regarding the state budget: 1) August 2, 2017 letter from Governor Dannel P. Malloy to Secretary Ben Barnes, 2) August 7, 2017 letter to First Selectman Pat Llodra from Secretary Ben Barnes, and 3) August 11, 2017 letter to Secretary Ben Barnes from First Selectman Pat Llodra. (ATTACHMENT). Ms. Llodra drew attention to the last paragraph in the letter from Governor Malloy to Secretary Barnes asking for information and analysis regarding municipal aid, local tax levels, expenditure trends, fund balances, and other criteria. Ms. Roussas asked about the contribution of the fund balance, contingent on how the budget is decided. Ms. Llodra replied that these figures indicate what the Town has right now. Mr. Gaston said that the fund balance could decrease if there is a loss of revenue. \$3 million in state aid was planned, if it turns out to be more than \$3 million, there will be a need to reduce spending or dip into fund balance. Ms. Johnson said that the consideration to use fund balance is a new approach in the algorithm. Ms. Johnson said that there are too many variables in the equation and there is a problem with the formulas. Ms. Llodra said that the use of municipal fund balance is a targeted approach. Ms. Llodra said that there is no state budget, nothing will happen in August, due to vacations, availability, the state will meet after Labor Day, some legislators say a budget may be possible in October. She explained the subgroups hold various opinions on methods to balance the budget from to hold towns harmless but build revenue with tolls, casino, other subgroups think that will make the difference, others say it may be years for revenue streams to show impact. Other groups advocate to increase taxes, property taxes to state of CT, other tax ideas. She said there are different factions participating in the budget process, some think this contributes to a strategic approach. Mr. Godin asked Ms. Llodra to speak about responses to the budget from colleagues in other local towns. Ms. Llodra said that there are a variety of strategies, Bethel did not provide for reduction in state aid in their budget. Collectively, she said, their responses vary but are very concerned. She said that Newtown had planned for a \$3 million deficit.

Ms. Johnson asked about local state representatives, if they are aligned together. Ms. Llodra said that the local state reps are in alignment with each other, as part of the Republican caucus which advocate to promote no tax increase, outsource, structural change. Ms. Llodra said that Democrats say the structural change will not address the budget, concern about the communication between both sides, caucus leadership not carrying the agenda forward.

Ms. Johnson suggested to invite state legislators, budget staff to a meeting in Newtown.

Ms. Johnson inquired about the work schedule for the Treadwell parking lot project and why it is not done. Ms. Llodra said that work had to stage in portions, could not get it all done before camp.

#### **FINANCE DIRECTOR REPORT – None.**

#### **UNFINISHED BUSINESS –**

*CIP Policy* – Mr. Godin said that he had distributed the policy with changes. **Mr. Gaston moved to approve the CIP policy with changes. Ms. Roussas seconded.** Mr. Gaston said that it was a concerted effort, involving several rounds of revisions, a lot of effort, and thanked everyone for input. **Motion unanimously approved.** (ATTACHMENT)

*Debt Policy* – Mr. Godin asked for general comments regarding the policy, state budget, uncertainty of state budget before going through any changes to the document.

Mr. Boland said that it is difficult to make a decision on guidelines of the debt policy without knowing what will happen at the state level.

Ms. Roussas commented that last time we reviewed this there has been an incremental shift to strategically plan the use of capital non-recurring.

Ms. Johnson said that it is not worth changing until we know the state budget.

Mr. Godin agreed to relook at the policy once we know what is going on with the state.

Ms. Johnson said that she is comfortable with waiting to review.

Mr. Godin recommended to relook at this policy once it is known what is going on with the state. **Mr. Gaston moved that the Board of Finance reevaluate the debt management policy once more is known about the state budget. Ms. Roussas seconded.** Brief discussion of time frame, unable to set a specific time frame, especially if this falls within a new BoF term. **Motion unanimously approved.**

#### **VOTER COMMENTS – None.**

**ANNOUNCEMENTS** – Mr. Godin said that the next Board of Finance meeting is scheduled for August 24, 2017. He wanted to know how many Board of Finance members can make it, the agenda may include transfers, Covered Bridge project may be coming back - the EDC may have a revised proposal but no confirmation, if he does not get transfers he may cancel the 24<sup>th</sup> meeting.

Mr. Boland said that he will be able to attend the 24<sup>th</sup>, but not September 11.

Ms. Johnson asked to clarify why the Covered Bridge may be coming back. Mr. Godin indicated that the developer has asked to come back, changes in the incentive program based on the feedback the BoF gave them. Ms. Johnson asked if we would be expecting to vote on that day, another vote. Mr. Godin said that he was unsure if they would be voting. Ms. Johnson questioned the time spent, if it has already been discussed.

Ms. Llodra said the developers were under the impression that if there were substantial changes, materially different, in their proposal, that the BoS would review it further. Ms. Llodra suggested to review the tape of the meeting since they left the meeting with the impression to review again and come back with another model. Ms. Llodra said that if that is not the case, to notify the parties involved.

Ms. Johnson said that she was not under that impression, concerned of setting a precedent and the message going forward. Mr. Godin said that he was asked and accepted to hear them again.

Ms. Roussas asked about a process standpoint. Ms. Llodra said that EDC first, vote, and then Board of Selectman. Ms. Llodra said it was a difficult vote and that one reason votes like this go forward is to have transparency and a larger conversation, with more participants from other boards.

Mr. Gaston said that he felt the impression he gave the developer was that this particular project was going to have to have substantial changes in order to be looked at again, use the tax credit to move the project forward. He also wanted to keep open for there may be another project to use this tool.

Ms. Johnson said that it would be a bad idea to come back, sending the wrong message to other developers, just for a tax abatement.

Ms. Llodra said that this project can only happen in that zone, the town only has two zones.

Mr. Boland referred to deferring sewer project, not as a tax abatement.

Mr. Godin said that he will be very clear with the developer providing clear instructions. He reiterated that the 24th meeting may need to be canceled.

#### **ADJOURNMENT --**

Having no further business, the meeting was adjourned at 8:16 pm.

Respectfully submitted,

June Sgobbo, Clerk

**Dannel P. Malloy**  
GOVERNOR  
STATE OF CONNECTICUT

August 2, 2017

Secretary Ben Barnes  
Office of Policy and Management  
450 Capitol Ave.  
Hartford, CT 06106

Dear Secretary Barnes:

As we know, municipal aid accounts for our single largest state expenditure – more than \$5 billion of our state budget. The vast majority of that funding is for educational aid, which amounts to \$4.1 billion, or 81 percent, of all state funding given to local government.

In recent years, I have made it a priority to protect aid to municipalities. In contrast, we have made drastic changes to how we fund other areas of state government – both in total funding and in our rationale for how limited dollars are allocated. We've reduced state services; we've cut funding to private providers; we've asked state employees to come to the table with concessions; and we've raised revenues. Throughout all of this, we've held town aid harmless. In fact, it could be said that we have sacrificed state services and raised revenues *in order* to shield town government from facing difficult choices required of state leaders and implementing reforms.

As our state struggles to finalize a biennial budget, how we fund our single largest expenditure must be on the table for discussion with the General Assembly and the public. If we fail to recalibrate aid based on shifting local demographics, economies, and need, we risk perpetuating an inequitable distribution of burden among our communities. We risk not investing in the communities that should be our assets in attracting economic development, young professionals, and families.

Therefore, in an effort to inform and facilitate the budget process now underway, I ask that you send me information and analysis regarding municipal aid, local tax levels, expenditure trends, fund balances, and any other criteria that could better inform our decisions. These reports should include both historic trends and current fiscal conditions. They should also be shared publicly when completed.

Thank you for your prompt attention to this matter.

Sincerely,



Governor Dannel P. Malloy



# STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

OFFICE OF THE SECRETARY

August 7, 2017

Dear Selectman Llodra,

On August 2<sup>nd</sup>, the Governor directed the Office of Policy and Management to produce a series of reports on the fiscal health of municipalities (please see attached).

To that end, I am requesting updated information on your municipality's fund balance. We have historic data already reported to our office, which we have included below. We are looking for estimates of your General Fund's total fund balance and unassigned fund balance for as of June 30, 2017. In addition, we are requesting projections of your municipality's General Fund total fund balance and unassigned fund balance as of June 30, 2018, based on the assumptions from your adopted FY 18 budget.

## NEWTOWN

## General Fund

	<u>Total Fund Balance</u>	<u>Unassigned Fund Balance</u> <u>per GASB 54</u>
FY 15 Actual	11,306,923	10,608,535
FY 16 Actual	12,312,290	11,444,280
FY 17 Estimated	<b>12,500,000</b>	<b>11,600,000</b>
FY 18 Projected (based on adopted municipal budget)	<b>12,500,000</b>	<b>11,600,000</b>

Finally, please provide any supplemental information about the potential impact of a continuing state budget impasse on your community's finances, such as contingency plans to utilize fund balance, issue supplemental taxes or reduce spending.

Please email the requested information to Michael Izadi on my staff at [michael.izadi@ct.gov](mailto:michael.izadi@ct.gov) by August 16, 2017.

Sincerely,

Benjamin Barnes  
Secretary

Cc: Robert G. Tait, Finance Director  
Michael Izadi, Office of Policy and Management  
Kerry Kelley, Office of Policy and Management

Newtown Municipal Center  
3 Primrose St., Newtown, CT 06470  
Tel. 203-270-4201  
Fax 203-270-4205



E. Patricia Llodra  
First Selectman  
203-270-4202  
pat.llodra@newtown-ct.gov

## TOWN OF NEWTOWN

### OFFICE OF THE FIRST SELECTMAN

August 11, 2017

Secretary Benjamin Barnes  
State of CT, Office of Policy and Management  
450 Capitol Ave.  
Hartford, CT 06106

Dear Secretary Barnes:

I am in receipt of your letter dated August 7, 2017, requesting certain information on Newtown's fiscal health. The requested information can be found on the attached document. Our fund balance level represents an 8-year effort put forth by my office in concert with Newtown's Director of Finance to establish and institutionalize fiscally prudent policies and practices. All levels of municipal government and the Board of Education have partnered for Newtown's success. We weaned ourselves from the decades-old practice of using fund balance to mitigate tax increases and we established a strong fund balance policy that continues to guide and control budgeting and spending. We reduced spending substantially, cutting overhead, eliminating waste and inefficiency, consolidating work roles and staffing, and more. We bargained for changes in pension plans, moving from defined benefit to defined contribution. We held salaries at a point lower even than inflation, only just now with some salary agreement reaching over 2%. We moved to self-funding our medical/ health program and continue to thrive in that system, finding it even more reasonable in cost than the state's program. We commit to significant use of capital non-recurring in our annual operational budget so that we are able to save for anticipated capital items. We established an effective capital improvement planning process and we are continuing even under these economically difficult circumstances to invest about 8.5% of our annual operating budget in municipal improvement and facilities. We manage debt very well and are thoughtful and careful about how we use resources. And we dedicate \$1.6 million dollars annually in a local program of tax mitigation for seniors. All of these actions, policies, and leadership/management attributes resulted in two upgrades of our bond rating. Our residents and taxpayers have supported these changes, and have accepted the accompanying modest tax increases. We are proud of these accomplishments and point to them as examples of good management and strong leadership.

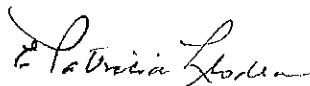
Now we cannot help but feel that our strong efforts over the past few years to gain solid financial footing, grow our fund balance, and reduce debt will serve us badly – that we are going to be punished, not rewarded, for our good behavior. One wonders if our current circumstances vis a vis the 'state' would be less daunting if we had not made the internal improvements in financial policy and practice. What if our fund balance was still at a measly 6.2%, and our debt ratio at 10%, and if we were still using

savings to mitigate tax increases, and if we did not save for known capital costs; did not bargain for changes in pension and health care, and more? Would we then be less vulnerable to reductions in state aid? Would we be rewarded for our failure to address necessary changes?

We are very aware of the fiscal crisis facing the state. And we are aware, too, that our cities, and some of our towns, are struggling and need more help. We don't presume to have an answer for these problems; they are too complex and too long-standing for any simple solution or quick fix. We do strongly feel however, that preemptive and draconian funding reductions in municipal aid may set us on a downward spiral. Such an action flies in the face of good planning, effective problem-solving, and strategic thinking. To harm Newtown and other municipalities in this fashion almost guarantees that CT's downward slide will continue. We, the very municipalities who are subject to having their piggy-banks raided by the state must remain stable and productive if the state itself is to survive and thrive. We can do the state no good if we are weakened, if our financial status is compromised and we become unable to provide quality services at a reasonable tax level.

Newtown is prepared to incrementally reduce its reliance on state aid. We know that is likely our future and we are poised to begin that journey thoughtfully, with good planning. That response began this year with a budget passed at referendum that anticipates more than 30% reduction in state aid. We have been open and honest with our residents and taxpayers. We have an excellent cadre of elected and appointed government officials at all levels and in all disciplines; and we have positive and committed employees throughout all departments and agencies. We can face this looming challenge head on and we can find ways to accommodate the impacts – but only if we are given the chance to plan forward and properly prepare.

Sincerely,



E. Patricia Llodra  
First Selectman

Enc.

Cc: Senator Tony Hwang  
Representative Mitch Bolinsky  
Representative JP Sredzinski  
Representative Duff

## **Chapter 310 Capital Improvement Plan**

### **Section 310-1 Goals:**

#### **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. The term 'Town-wide' shall include both the Municipal and Education side needs.

##### **(2)**

Establish a financially prudent level of spending for such capital projects.

##### **(3)**

Integrate financial planning, budgeting and debt issuance for Town-wide capital projections.

##### **(4)**

Encourage thoughtful, economical and prudent 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 Town-wide capital expenditures.

##### **(2)**

Creates a process by which the Board of Finance and Legislative Council identifies, categorize prioritizes, evaluates, justifies, monitors, postpones or eliminates proposed capital expenditures;

##### **(3)**

Creates a process by which the Board of Finance and Legislative Council work compatibly in enacting Subsections 310-1A and B.



#### Section 310-2 Annual Review

The Capital Improvement Plan is Newtown's Town-wide, five-year strategy regarding major capital expenditures. The CIP is based on assigned priorities that consider Town-wide need, desires and mandates for various improvements and coincides with Newtown's current and anticipated ability 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.

#### Section 310-3 Implementation and Amendment

The Board of Finance and Legislative Council, in accordance to the methods and procedures contained herein, are hereby charged with the responsibility of implementing the goals expressed above in Section 310-1 and all changes, additions and deletions to the CIP. In addition, the Town Financial Director, First Selectman, Chairperson of the Board of Education, and Superintendent of Schools may advise the Board of Finance and Legislative Council, but do not have voting privileges.

#### Section 310-4 Presentation of Proposed Capital Projects to the Board of Finance

The Board of Selectmen and Board of Education shall submit its five-year projected CIP proposal no later than the first regularly scheduled Board of Finance meeting in September. The Board of Finance shall hold its review period from September through November. Except under exigent circumstances, capital projects not presented in that year's CIP by the Board of Selectman or Board of Education shall not be considered until the next year's CIP review

#### Section 310-5 Eligible Capital Projects

To be eligible for inclusion in the CIP, a proposed capital project shall have an estimated cost that is at least 0.25% of the Town-wide budget for the year in which the request is made (LoCip language redacted.) and meet, but not be limited to, one or more of the guidelines set forth below:

##### A.

Capital projects requiring debt obligations;

##### B.

Acquisition or lease of real property;

C.

Purchase of major equipment or 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 new building or other project.

G.

Major studies requiring the employment of outside professional consultants.

#### Section 310-6 Process Overview

All requests for inclusion in the CIP shall 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 projects;

B.

The Board of Selectmen shall identify, categorize, prioritize and approve Municipal capital projects to include in the CIP proposal. Likewise, the Board of Education shall identify, categorize, prioritize and approve Education capital projects to include in the CIP proposal.

C.

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

(1)

The identification of any revenues, grants or reimbursements anticipated each year.

(2)

A financial impact statement provided by the town's Financial Director,

D.

The town's Financial Director will review and compile two lists (Municipal and Board of Education) for presentation to the Board of Finance. The comprehensive Town-wide CIP should reflect complete financial impacts by project including, but not limited to: total project cost net of applicable grants, estimated bond interest, potential revenue, and potential cost avoidance.

E.

The Board of Selectmen and the Board of Education shall then present their prioritized capital project requests to the Board of Finance.

F.

The Board of Finance shall consider all capital project requests made through this process and determine those that shall be recommended for inclusion in the CIP and those that are to be rejected or postponed. If rejected, the proposed project may be resubmitted by the appropriate board at the next annual CIP process initiation. If a proposed capital project is approved but postponed to a later date within the CIP five-year plan the request shall be reviewed by the Board of Finance with respect to its new priority level.

G.

The Board of Finance shall prioritize, on a Town-wide basis, all requests it approves for inclusion in the CIP and establish a time frame for proceeding with each capital project.

H.

The Board of Finance shall forward its recommendation to the Legislative Council by the first regular meeting of the Legislative Council in December. The Legislative Council may accept the plan in its entirety, reject any item, postpone any item, reduce any item, or change any priority. Any increase in proposed capital expenditures for a capital project shall be referred back to the Board of Finance for further review and recommendation with written comment from the Legislative Council to explain its reasoning and rationale. Within thirty days of receipt by the Board of Finance of said written comment, the Board of Finance shall resubmit its recommended five-year CIP plan, noting any changes it has made.

Within the recommended CIP from the Board of Finance to the Legislative Council, the proposal shall include which of the capital projects in the first year of the five-year plan will go to referendum and which projects will be approved by the Legislative Council outright. Board of Finance and Legislative Council considerations relative to referendum and approval outright shall include those issues identified in Section 310-7. Should the Legislative Council fail to approve the referendum items and/or the first of the five-year plan recommended by the Board of Finance it shall return its recommendation to the Board of Finance with written comment to explain its reasoning and rationale. The Board of Finance shall have thirty days from receipt of said written comment to make further recommendations to the Legislative Council. Thereafter, the Board of Finance shall have no further recommendations on the issue.

I.

The Board of Finance and Legislative Council shall use the following Charter identified rules when recommending capital items for referendum to the Legislative Council:

(1.)

The Legislative Council, under its own authority, may approve for bonding capital items that, in total, are equal to or less than the value of 1 mil (approximately \$3 million based on the existing Grand List).

(2.)

Any capital item that is larger than \$1.5 million must go to referendum.

J.

The Board of Finance and Legislative Council shall apply the following guidelines when recommending capital items to be acted upon by the Legislative Council:

(1)

Capital items that are one phase of a multi-phase project should normally go to referendum.

(2)

Significant consideration shall be given to the most costly of the remaining capital items in the capital plan and should go to referendum in consideration of the intent of the Charter to give voice to the voters.

(3)

Items that are time sensitive, needing near-term action, should go to referendum.

(4)

The Board of Finance and Legislative Council should act on items that are of a public-safety concern and should receive the highest priority using the most immediate means to address the issue whether by automatic approval or referendum.

#### Section 310-7 Prioritization

The Board of Finance and Legislative Council shall consider the following criteria during its prioritization

A.

The cost of the capital project.

B

The start and completion timing of the capital project in terms of efficiencies, practicalities and/or coordination with other capital projects.

D.

The source of financing relative to the Debt Service Policy guidelines.

E.

The impact on future operating budgets.

F.

The need for the capital project.

#### Section 310-8 Legislative Council's Return of the Five-year CIP to the Board of Finance

The CIP approved by the Legislative Council shall be the single and final adopted CIP for the Newtown town-wide body. Should the Legislative Council fail to return a proposed plan by the Board of Finance for further review within sixty days of its submission and fail to pass the final CIP with referendum recommendations, then the Board of Finance CIP recommendations shall be the single and final adopted CIP Plan for Newtown town-wide. Should the Board of Finance fail to act on the CIP within the time frame expressed in Section 310, the Legislative Council shall act without input from the Board of Finance.

#### Section 310-9 CIP and Budget Timing

All capital projects 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 for the upcoming fiscal year. Except for exigent circumstances, any capital improvement expenditure that falls within Section 310-5 of this plan regulation and is not contained in the CIP shall not be considered for implementation until the next CIP cycle.