

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE

The Board of Finance held a regular on Thursday, September 28, 2017 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman John Godin called the meeting to order at 7:30pm.

Present: James Gaston, John Godin, Kelley Johnson, Sandy Roussas

Absent: Mark Boland, Aaron Carlson

Also Present: Finance Director Robert Tait, First Selectman Pat Llodra, Rob Sibley Deputy Director of Planning

VOTER COMMENT – None

COMMUNICATIONS – None

MINUTES – Mr. Gaston moved to accept the minutes from 9/11/17, Ms. Johnson seconded, motion unanimously approved.

FIRST SELECTMAN REPORT – First Selectman explained that the Governor vetoed the budget today. Our legislators are doing a wonderful job trying to keep the issues at the forefront. There is a pressure on October 15. If they don't have an agreement with the hospitals, then they are jeopardizing some Medicare resources which there is no reset on that date.

BOS is working hard on the CIP and will bring it to the next meet.

FINANCE DIRECTORS REPORT – Mr. Tait presented and explained the recent Standard and Poor's rating report for the State of CT (Attachment A). CCM is in support of the legislature that passed and is calling for significant structure changes as to how we tax.

UNFINISHED BUSINESS

CIP Policy – Mr. Godin provided a marked up copy of the CIP Policy (Attachment B) and explained the changes. Black is original text, red are changes previously made by the board and blue is what is in the policy that the board never saw. Mr. Gaston moved to accept the CIP policy as presented with no additional changes, Ms. Johnson seconded, motion unanimously approved.

NEW BUSINESS

Resolution – Mr. Tait explained that this is amending a resolution. The effect on the amendment is an additional \$28,000, of that; \$5,600 is the Town's responsibility (Attachment C). Mr. Gaston moved A RESOLUTION AMENDING A RESOLUTION PROVIDING FOR A SPECIAL APPROPRIATION IN THE AMOUNT OF \$904,000 FOR THE PLANNING, DESIGN, ENGINEERING, AND CONSTRUCTION OF PEDESTRIAN SIDEWALK IMPROVEMENTS PROJECT AND AUTHORIZING THE ISSUANCE OF \$150,000 BONDS (CALCULATED AS \$904,000 MINUS \$723,200 IN STATE AND FEDERAL GRANTS MINUS \$30,800 IN LOCAL

SOURCES) OF THE TOWN TO MEET SAID SPECIAL APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE and waved the reading of the full resolution (Attachment D). Ms. Johnson seconded. This is the sidewalk that goes from Glover and South Main and down Mile Hill Road. The tentative start is spring 2018 and it will take 3 to 6 months to complete. Motion unanimously approved by roll call vote.

Voter Comments – None

Announcements – None

Having no further business, the meeting was adjourned at 8:00pm

Respectfully Submitted,
Arlene Miles, Clerk

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Connecticut Fiscal Pressures Could Weaken Local Government Credit Quality

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Connecticut Fiscal Pressures Could Weaken Local Government Credit Quality

Connecticut's ongoing budget stalemate and brinkmanship at the state level is exerting fiscal pressure across local governments that could lead to downgrades if the budgetary impasse persists. Even if the state's biennial budget comes to a resolution and funding is restored to some extent, Connecticut's need to pass onto local governments costs as outlined in the governor's proposed budget gives us reason to believe weak credit conditions across local governments could persist for some time.

We understand the governor has recently issued another revised two-year budget plan—his third—looking for a compromise with the legislature. However, with no budget resolution in place, he recently revised an executive order designed to keep the government operating in balance for the year. To eliminate the state's 2018 projected deficit, the governor reduced total aid to municipalities by \$928 million, or 38%, from 2017 funding levels.

Overview

- Connecticut's prolonged state budget impasse will have widespread rating implications.
- Even if a budget resolution is in place, persistent long-term state budget pressures could continue to strain local government finances.
- Sluggish economic prospects will challenge local governments' ability to raise revenues and maintain fiscal balance.

According to our review of the executive order, roughly 38% of S&P Global Ratings' rated municipalities do not have reserves available to withstand the loss of intergovernmental aid if the budget impasse were to extend the fiscal year. If those governments are unable to make midyear adjustments, they will run the risk of depleting reserves to very weak levels. The executive order does maintain education funds for the neediest school districts; however, even those communities may be hit and could have very limited flexibility.

Over the next several weeks, if the budget impasse persists, we will be reviewing the full effect of the executive order and focus our efforts on those communities that we believe are the most vulnerable. The longer the impasse, the greater likelihood we would lower credit ratings, potentially by multiple notches, on those communities most exposed to liquidity pressures. If there is a budget resolution, we will then focus on any statutory changes and potential reduction in costs and how those would affect long-term budgetary performance and reserves at the local level.

Connecticut's Economic Prospects Remain Sluggish

The state has had a slow recovery from the last recession, and continues to rank low in terms of real GDP and total nonfarm employment. Following the Great Recession, real GDP bottomed in 2013, and growth has been fairly muted since, totaling 4.1% through 2017. Projections show growth with real GDP improving to 2.16%, but this ranks 35th nationwide and remains below average compared to 2.58% nationally. Employment gains are likely to remain very

weak, with projections of less than 1% growth, or just 15,000 jobs through 2019.

Increased competition from neighboring states and an inability to retain its predominant industries in the insurance and various manufacturing sectors have been challenging. The loss of GE to Boston in 2016, Aetna leaving Hartford for New York City, and the more recent loss of Alexion Pharmaceuticals have resulted in lost jobs, but also signal how difficult it will be for the state to attract new industry and businesses.

On the bright side, there has been a jump in new construction and housing starts throughout Connecticut. While the overall base level ranks low, it is projected to grow 42% into 2018, ranking first nationally by percent change. New construction, in addition to its associated economic activity, should provide some marginal boosts to taxable values and local government fees and other revenues to an extent, although these gains will vary from town to town.

Statutory State Aid Includes More Than Just Education Cost-Sharing (ECS) Grants

For fiscal 2017, statutory aid for Connecticut local governments totaled \$2.4 billion and was made up of ECS grants, payment-in-lieu-of-taxes (PILOT) grants (for state-owned real property, colleges and hospitals, casino grant funds, and other miscellaneous grants), and Municipal Revenue Sharing grants representing 82%, 11%, and 7% of the total, respectively.

According to the executive order, roughly \$928 million will be cut from fiscal 2017 levels. Of that, \$557 million will be from ECS, about \$239 million from PILOTs, and \$131 million from Municipal Revenue Sharing. Notably, one of the governor's guiding principles in the executive order has been to allocate funds based of fiscal capacity and also accommodate the neediest residents and school districts. Indeed, the governor has maintained ECS grants consistent with 2017 levels for some governments, and has eliminated them altogether for others. However, even for those communities with level funding, the overall effect of the executive order will weaken the communities' general fund operations. For example, ECS for Bridgeport will remain level, but the city still stands to lose roughly \$30.1 million--about 5.6% of revenues, PILOTs, and other municipal revenue-sharing grants--which amounts to about double what it has currently in available general reserves.

Near-Term Credit Effects Of The Executive Order Should The Budget Impasse Persist

If there is no budget solution, then our immediate focus will be on those communities that have lower reserves and liquidity and can't fully absorb the cuts instituted by the executive order. At this stage of the fiscal year, any drastic midyear adjustments, while possible, would be very difficult to implement. Depending on whether a community entered the fiscal year with a plan and contingency, the likely scenario is that it will use some portion of reserves to offset any loss in state aid. Based on our review, of the 88 S&P Global Ratings rated issues, virtually all will have to absorb cuts of 1% or more of general fund revenues. Roughly 37 communities will have to absorb cuts in aid representing greater than 10% revenues, and some communities (e.g., Beacon Falls and Plymouth) will have to absorb a loss of nearly one-quarter of their general fund revenues.

Any downward rating action will depend on the response of the municipality. If a community uses reserves, we would want to know to what extent, and its ability and capacity to adjust and avoid structural imbalance. Our methodology dictates that if reserves decline and are sustained at very weak levels, the community would have a rating no higher than 'A+', so a clear understanding of how it will respond and replenish reserves in the event of a prolonged budget impasse will be important.

Notably, not all communities will be hit by the cuts. For example, Greenwich stands to lose only \$596,000, which is negligible. Others like Norwalk, while they stand to lose about 1.6% of revenues, maintain very strong reserves and budgetary flexibility to manage the cut.

The Long-Term Ability To Adjust Will Be Increasingly Challenging For All Communities

Our immediate focus will be on the near-term credit impact and the immediate challenges communities will face if the budget is not resolved by October. Even if there is some resolution then, we believe there will still be prolonged fiscal uncertainty at the state and local government levels for some time. The state faces sizable budget gaps and the likelihood it will be able to close them in this economic climate without the prospect of downshifts to local governments of costs it currently bears is small. Given the strong likelihood that the state will push teacher pension costs down further, governments will have to rely on a greater percentage of local source revenue to balance budgets as the state is unlikely to provide substantial additional aid to localities.

We have long recognized that Connecticut municipalities have the ability to increase property tax revenues without any statewide caps or limitations. We also acknowledge that many are well managed and entered fiscal 2018 with contingencies in place and some with solid reserve balances. However, we believe governments over time may no longer have the political appetite to approve tax increases to shield them from state aid reduction or otherwise keep up with rising costs. This is particularly true if economic prospects remain dull or weak. Moreover, some communities may find it increasingly challenging to make the expenditure adjustments given limitations imposed by public-sector unions and other budgetary constraints. So, in our opinion, there are a number of factors that suggest revenue conditions for local governments in the state will remain weak for some time.

This has become more evident with the rapid credit deterioration of the city of Hartford and the continued budgetary challenges faced by other, similar communities. Higher rated municipalities are not immune from this weak credit environment, particularly as it relates to the likelihood of potential cost shifts from the state in the future.

Weak Credit Conditions Are Tied To Increased Uncertainty

We believe the budget impasse underscores the state's struggling financial health. The implication of persistent fiscal strain at the state level has affected credit quality for local governments across the state and will continue to do so. We will monitor the outcome of any budget resolution and potential changes in statutes governing local government revenue and expenditure responsibilities and the degree to which changes at the state level allow local municipalities the flexibility to adapt.

We continue to believe that if a state budget is ultimately approved, any outcome will remain challenging to some local governments, which is why--as part of the budget--the state is also formalizing a tiered level of system support. Even if a budget resolution is in place, some local governments already operating in a tight budgetary environment may have no choice but to draw on reserves in 2018, as municipal managers adapt to a potentially new funding paradigm. In the end, as state fiscal pressures and the budget impasse persist, all local governments in Connecticut will be affected and the degree of credit deterioration will depend on the government's level budgetary reserves and ability to increase revenues or adjust expenditures. Those governments lacking the budgetary flexibility to make such revenue and expenditure adjustments will be the most vulnerable to immediate downgrades.

Impact Of Executive Budget On Connecticut Municipalities

	Cumulative statutory aid (2017) (\$000)	Executive order resource allocation plan revised Aug. 18, 2017 (\$000)	Difference (Column B/Column C)	% of General Fund Revenues*	Most recent audited available fund balance (\$000)	S&P Global Ratings GO rating
Andover	2,417	466	(1,951)	(18)	\$2,723	AA+
Ansonia	17,411	16,747	(664)	(1)	\$9,724	AA
Avon	1,127	2	(1,126)	(1)	\$10,772	AAA
Barkhamsted	1,730	2	(1,729)	(15)	\$1,476	AA
Beacon Falls	4,241	-	(4,241)	(20)	\$2,877	AA
Berlin	7,118	14	(7,104)	(9)	\$13,457	AA+
Bethel	8,542	11	(8,531)	(11)	\$16,550	AAA
Bloomfield	6,975	6,185	(790)	(1)	\$18,152	AA+
Branford	2,857	21	(2,836)	(3)	\$24,537	AAA
Bridgeport	216,484	185,824	(30,659)	(6)	\$14,269	A
Bristol	47,394	45,152	(2,242)	(1)	\$33,083	AA+
Brookfield	1,787	4	(1,783)	(3)	\$4,947	AAA
Burlington	4,581	-	(4,581)	(14)	\$5,536	AA+
Canton	3,638	2	(3,635)	(9)	\$6,040	AAA
Chaplin	2,049	931	(1,118)	(1)	5,593	AAA
Cheshire	14,103	970	(13,133)	(12)	\$11,566	AAA
Cromwell	4,991	14	(4,977)	(10)	\$7,789	AAA
Danbury	38,277	31,541	(6,736)	(3)	\$32,936	AA+
Derby	9,701	8,029	(1,672)	(4)	\$1,038	AA
East Haddam	3,913	374	(3,539)	(11)	\$4,563	AA+
East Hampton	7,910	1,523	(6,387)	(14)	\$4,959	AAA
East Haven	21,069	20,080	(990)	(1)	\$4,985	A+
Easton	344	0	(344)	(1)	\$6,946	AAA
Enfield	32,023	8,671	(23,352)	(17)	\$21,180	AA
Fairfield	4,159	2	(4,158)	(1)	\$28,260	AAA
Glastonbury	7,457	6	(7,451)	(4)	\$26,845	AAA
Granby	5,782	2	(5,779)	(13)	\$4,674	AA+
Greenwich	597	-	(597)	(0)	\$56,175	AAA
Griswold	11,175	6,516	(4,659)	(14)	\$4,203	AA
Groton	27,786	7,614	(20,172)	(16)	\$12,123	AA+

Impact Of Executive Budget On Connecticut Municipalities (cont.)

	Cumulative statutory aid (2017) (\$000)	Executive order resource allocation plan revised Aug. 18, 2017 (\$000)	Difference (Column B/Column C)	% of General Fund Revenues*	Most recent audited available fund balance (\$000)	S&P Global Ratings GO rating
Guilford	3,232	10	(3,222)	(3)	\$9,603	AAA
Haddam	2,187	-	(2,187)	(7)	\$4,801	AAA
Hamden	36,762	28,279	(8,483)	(4)	\$2,961	A+
Hartford	271,618	215,295	(56,322)	(10)	\$14,131	B-
Hebron	7,112	688	(6,425)	(17)	\$7,022	AAA
Kent	97	-	(97)	(1)	\$2,039	AA+
Killingly	16,401	15,680	(721)	(1)	\$11,285	AA
Ledyard	13,778	6,010	(7,768)	(14)	\$4,141	AA
Manchester	38,981	36,069	(2,912)	(2)	\$23,072	AA+
Meriden	65,029	61,203	(3,826)	(2)	\$16,665	AA
Middletown	29,672	22,060	(7,612)	(5)	\$27,808	AAA
Milford	13,765	42	(13,724)	(6)	\$28,762	AA+
Naugatuck	33,124	31,893	(1,231)	(1)	\$12,229	AA
New Britain	102,509	90,389	(12,120)	(5)	\$28,400	A+
New Fairfield	4,660	4	(4,656)	(8)	\$7,127	AAA
New Hartford	3,275	3	(3,272)	(14)	\$3,927	AA
New Haven	226,298	159,068	(67,230)	(12)	\$2,024	A-
New London	35,725	27,033	(8,692)	(10)	\$4,751	A+
New Milford	12,598	1,224	(11,374)	(11)	\$18,973	AA+
Newington	16,181	1,336	(14,845)	(12)	\$21,441	AA+
Newtown	7,116	4	(7,112)	(6)	\$12,311	AAA
North Haven	5,070	7	(5,063)	(5)	\$12,421	AAA
Norwalk	17,043	11,322	(5,721)	(2)	\$47,984	AAA
Norwich	41,375	36,892	(4,483)	(4)	\$14,879	AA
Orange	1,989	-	(1,989)	(3)	\$11,237	AAA
Plainville	10,831	2,177	(8,654)	(15)	\$10,662	AA+
Plymouth	10,099	11	(10,088)	(24)	\$2,173	AA
Preston	4,218	1,527	(2,691)	(17)	\$3,419	AA+
Redding	476	1	(476)	(1)	\$7,364	AAA
Ridgefield	1,101	1	(1,101)	(1)	\$17,076	AAA
Rocky Hill	5,710	10	(5,700)	(8)	\$6,003	AA+
Seymour	10,528	2,084	(8,444)	(14)	\$6,072	AA+
Shelton	6,713	38	(6,675)	(6)	\$5,335	AA+
Simsbury	6,721	286	(6,434)	(6)	\$13,035	AAA
South Windsor	13,452	10	(13,442)	(11)	\$10,130	AA+
Southington	21,297	15	(21,282)	(14)	\$20,336	AA+
Stamford	17,825	11,134	(6,692)	(1)	\$34,325	AAA
Stonington	1,893	8	(1,885)	(3)	\$15,189	AA+
Stratford	22,987	114	(22,874)	(11)	\$7,255	AA
Suffield	11,859	1,874	(9,985)	(17)	\$9,961	AA+

Impact Of Executive Budget On Connecticut Municipalities (cont.)

	Cumulative statutory aid (2017) (\$000)	Executive order resource allocation plan revised Aug. 18, 2017 (\$000)	Difference (Column B/Column C)	% of General Fund Revenues*	Most recent audited available fund balance (\$000)	S&P Global Ratings GO rating
Thomaston	5,841	1,699	(4,142)	(15)	\$3,442	AA
Tolland	11,047	2,148	(8,899)	(15)	\$8,879	AAA
Torrington	27,667	5,026	(22,641)	(18)	\$10,085	AA-
Trumbull	4,230	15	(4,215)	(2)	\$19,838	AA+
Wallingford	22,852	2,396	(20,456)	(13)	\$27,607	AA+
Waterbury	164,313	145,052	(19,261)	(5)	\$22,661	AA-
Waterford	819	12	(808)	(1)	\$11,461	AA
Watertown	12,302	2,355	(9,947)	(14)	\$8,484	AA+
West Hartford	24,006	245	(23,762)	(8)	\$21,535	AAA
West Haven	52,776	46,190	(6,586)	(4)	(\$16,888)	BBB
Wethersfield	10,644	31	(10,613)	(10)	\$11,391	AA+
Windham	32,849	27,656	(5,193)	(7)	\$9,495	AA
Windsor	12,862	12,189	(674)	(1)	\$24,372	AAA
Windsor Locks	5,924	5,190	(734)	(1)	\$13,057	AA+
Wolcott	13,830	6,716	(7,114)	(12)	\$4,446	AA

*Most recent audited fiscal year. GO—General obligation.

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Attachment B

This document integrates the language of the 3/2015 LC approved CIP and the 7/2017 approved BoF CIP. The text in black is the 3/2015 LC document. The text in blue are material changes and/or large sections from the 3/15 LC text that were not seen during the recently completed BoF review. The text in red is added wherever the BoF 7/2017 document differs.

Chapter 310, Capital Improvement Plan

[HISTORY: Adopted by the Legislative Council of the Town of Newtown 3-6-1997; amended 9-18-2002. Subsequent amendments noted where applicable.]

310-1. Goal.

A.

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

(1)

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

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

(2)

Establish a consistent level of spending for such capital projects.

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

(3)

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

(4)

Encourage careful project design.

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 capital expenditures of the Town of Newtown.

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 identifies, prioritizes, evaluates, justifies, monitors, postpones or eliminates proposed capital expenditures.

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

(3)

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

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

310-2. Description: annual review.

Five Year Capital Improvement Plan (CIP)

~~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 timeframe.~~ (We maintained the old language.)

Five-Year Capital Improvement Plan (CIP)

The Capital Improvement Plan (CIP) is a five-year plan identifying the Town's capital outlay and improvement needs. As a long-range plan, the CIP reflects the Town's policy regarding future physical and economic development. By providing a planned schedule of public improvements, the CIP outlines present and future public needs and priorities. A capital improvement is defined as any expenditure for equipment, buildings, infrastructure, land acquisition, plan or project in which the cost exceeds 0.25% of the town budget for the year in which the request is made.

Capital project planning is an ongoing process. Each year the CIP document is updated. The need or idea for capital improvements can originate from the department heads, the First Selectman, the Superintendent of Schools, and boards and commissions. These items are compiled into this document and presented annually to the Board of Finance and Legislative Council. Once approved, the CIP outlines the Town's official commitment to funding these expenditures in the subsequent years budgets.

Adopting a CIP does not end with the first year. Changing needs and priorities, emergencies, cost changes, mandates and changes in technology all require the CIP to be updated annually. The Town's public facilities, streets, parks, equipment, etc., are constantly in need of repair, replacement or expansion. A growing population will require additional or new facilities. These reasons require that the CIP be updated to maintain the financial solidity of the Town. The CIP achieves the following objectives as a component of the Town's budget and financial planning process:

- Reduces the need for "crash programs" to finance the construction of Town facilities.
- Focuses attention on community goals, needs and capabilities.
- Achieves optimum use of taxpayer dollars.
- Guides future community growth and development.
- Advance planning ensures that projects are well thought out in advance of construction.
- Provides for the orderly replacement of capital expenditures.
- Encourages a more efficient governmental administration as well as maintains a sound and stable program.

310-3. Implementation and amendments.

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

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.

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

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

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

The Board of Selectman 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.

310-5. Eligible purchases and expenditures.

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

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.

Purchases requiring debt obligation.

Capital projects requiring debt obligations;

B.

Acquisition or lease of land.

Acquisition or lease of real property.

C.

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

D.

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

E.

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

F.

Major equipment or furnishing required for a new building or other project.

G.

Major studies requiring the employment of outside professional consultants.

310-6. Process overview.

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

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 purchases

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

B.

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

The Board of Selectman 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 Educational capital projects to include the CIP proposal.

The requesting agency or department will plan for and be responsible for funding any professional estimating for a project in their operational budget. If applicable, alternative sources of funding can and should be identified, such as the Cap Non-Recurring Account, and shall be reimbursed upon actual borrowing if appropriate.

C.

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

(1)

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

(2)

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

D.

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

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 will then present their prioritized purchase requests to the Board of Finance.

F.

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

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

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

H.

The Board of Finance will forward its formal and approved recommendation to the Legislative Council by November 30. The Legislative Council may accept the plan in its entirety, reject any item or reduce any item in capital costs, or reduce any

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

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

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 1mil (approximately \$3 million based on the existing GrandList).

(2)

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

J.

Once the CIP is adopted by the Legislative Council the projects identified for year one and their associated costs will be considered final in terms of bonding and any appropriation actions.

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.

310-7. Prioritization.

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

A.

The cost of the purchase.

The cost of the capital project

B.

The impact of the purchase versus the benefit to the Town

C.

The year it will be implemented

D.

The source of financing

The source of financing relative to the Debt Service Policy guidelines

E.

The impact on future operating budgets

F.

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

G.

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

H.

The need for the capital project

310-8. Capital Project Process

The processes used to authorize bonding and ~~appropriations for managing~~ a capital project are controlled by a series of checks and balances exercised by the executive, finance, and legislative arms of Town government. These processes are established to ensure that each project 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 Finance, and Legislative Council is subject to the same rigorous review. Except for emergency situations, as described in the charter, a consistent and documented process should be used to advance every capital project from inception to execution by its requesting agent.

Projects approved for inclusion in the Capital Improvement Plan typically progress from the introductory phase in year 5 to execution phase in year 1. Projects in Year 1 on the Capital Improvement Plan 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, sections 6-35 E and 7-100.

Steps in this process for projects readying for implementation include:

Bonding funds for requested Capital Projects:

1. The Director of Finance causes a bonding resolution to be prepared. The resolution will identify the funds being requested and the purpose of those funds. The Department with ownership of the proposed project initiates this process through contact with the Director of Finance;
2. The bonding resolution to fund the proposed project is submitted to Board of Finance for discussion/action ;
3. If approved by the Board of Finance, that bonding resolution is then submitted for Legislative Council discussion/action;
4. If approved by the Legislative Council, the resolution is then submitted to Board of Selectmen for discussion/action.

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, sec. 6-30.)

- ~~1. A special appropriation request for a Capital Project is prepared by the Director of Finance in concert with the requesting department;~~
- ~~2. The appropriation request is submitted to the Board of Finance for discussion and action;~~
- ~~3. If approved, the appropriation request then moves to the Legislative Council;~~
- ~~4. The appropriations request may also be acted on by the Board of Selectmen, a Town Meeting or Referendum, depending upon the magnitude of funds requested as per Charter.~~

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 Selectmen or the Board of Education.

- a. The PB&S Commission or 'other' authorized building committee establishes appropriate advisory committees; prepares and issues appropriate RFQs and RFPs; selects professionals and develops contracts with attorney and purchasing agents 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.

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.

~~** A Charter change proposal to be voted on in 2015, calls for project approval to be included in the annual Budget Referendum. If this Charter change is enacted, then the Bonding and Appropriations processes detailed about above will be modified accordingly.~~

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 that 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.

Attachment C

PEDESTRIAN SIDEWALK IMPROVEMENTS PROJECT:

	<u>Original**</u>	<u>Amendment</u>	<u>Amended</u>
State & Federal Grants	723,200	22,400	745,600
Bonds	150,000		150,000
Local Source (contingency)	30,800	5,600	36,400
Total	904,000	28,000	932,000

** - approved

Attachment D

A RESOLUTION AMENDING A RESOLUTION PROVIDING FOR A SPECIAL APPROPRIATION IN THE AMOUNT OF \$904,000 FOR THE PLANNING, DESIGN, ENGINEERING, AND CONSTRUCTION OF PEDESTRIAN SIDEWALK IMPROVEMENTS PROJECT AND AUTHORIZING THE ISSUANCE OF \$150,000 BONDS (CALCULATED AS \$904,000 MINUS \$723,200 IN STATE AND FEDERAL GRANTS MINUS \$30,800 IN LOCAL SOURCES) OF THE TOWN TO MEET SAID SPECIAL APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE

RESOLVED:

Section 1. Section 1 of the resolution entitled "A Resolution Providing For A Special Appropriation In The Amount Of \$904,000 For The Planning, Design, Engineering, And Construction Of Pedestrian Sidewalk Improvements Project And Authorizing The Issuance Of \$150,000 Bonds (Calculated As \$904,000 Minus \$723,200 In State And Federal Grants Minus \$30,800 In Local Sources) Of The Town To Meet Said Special Appropriation And Pending The Issuance Thereof The Making Of Temporary Borrowings For Such Purpose", approved at a Special Town Meeting held April 18, 2016 (the "Resolution") is hereby amended by increasing the appropriation therein, thereby making said Section 1 read as follows:

"Section 1. The sum of \$932,000 is a special appropriation made pursuant to Chapter 6, Section 6-30 (a), (b) and (c) of the Town Charter of the Town of Newtown (the "Town") for the planning, design, engineering, and construction of pedestrian sidewalk improvements, including, but not limited to 5,900 LF feet of new ADA compliant sidewalk along South Main Street between Glover Avenue and Mile Hill Road; and along Mile Hill Road between South Main Street and Trades Lane, and for administrative, financing, legal and costs of issuance related thereto (collectively, the "Project"), said appropriation to be inclusive of any and all State and Federal grants-in-aid thereof."

Section 2. The first sentence of Section 2 of the Resolution is hereby amended to read as follows: To meet said appropriation, \$150,000 bonds of the Town (calculated as \$932,000 minus \$745,600 in State and Federal grants and \$36,400 in local sources), or so much thereof as shall be necessary for such purpose, shall be issued, maturing not later than the maximum maturity permitted by the General Statutes of the State of Connecticut, as amended from time to time (the "Connecticut General Statutes").

Section 3. Section 6 of the Resolution shall be applicable to the appropriation and bond authorization added by this amendment, as of the date of the adoption of such amendment.