

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE

The Board of Finance held a regular meeting on Monday, April 9, 2018 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman Gaston called the meeting to order at 7:47pm.

Present: Roger Cyr, Mark Boland, Jim Gaston, Keith Alexander

Absent: Sandy Roussas, Steve Hinden

Also Present: First Selectman Dan Rosenthal,

Voter Comment – None

Communications – None

Minutes – Mr. Boland moved to approve the minutes from the 3/12/18 meeting. Mr. Alexander seconded, motion unanimously approved.

First Selectman Report – First Selectman Rosenthal reported that he attended the CCM meeting last week. We know that CT is in bad shape. Some of the solutions they are suggesting are good, others are not. We need to be cognitive of the situation for future budgets and not get caught flat footed. We are not going to see the governor's cuts reversed and doesn't see it changing at this point. We were able to avoid the big revenue cut this year but that may not be the case next year. It is difficult to draw anything optimistic.

Finance Director Report – None

NEW BUSINESS

Transfer \$55,000 from Contingency to Professional Services-Legal (Attachment A) – First Selectman Rosenthal explained that these are items for the full fiscal year. It is forecasted through the end of June baring something unforeseen. Some of the bigger numbers are from contract negotiations and some individual employment matters requiring legal services.

Mr. Cyr questioned budgeting for negotiations. If you know there are three contracts that will be negotiated, can't you budget better for them. It is unknown how much negotiations will cost and if arbitration/mediation will be required which is additional costs. Years past, legal was underfunded. Last year or the year before they bumped it up to account for the unforeseen but this year there is more than anticipated. The source for covering that is contingency. There is possibility that other expenses will come up and they will have to come to the board and say that they are running over again. There could be unforeseen employee issues or grievances, we try to settle it but that doesn't always happen and that causes legal expenses

Mr. Alexander moved to transfer \$55,000 from Contingency to Professional Services-Legal. Mr. Boland seconded, motion unanimously approved.

Transfer \$61,446 from Contingency to Sand (\$6,584), Salt (\$27,050), Salaries & Wages-Overtime (\$27,812) (Attachment B) – First Selectman Rosenthal explained that this transfer was increased at the Board of Selectman meeting because we had more snow. If winter goes away we are done.

Mr. Alexander moved to transfer \$61,446 from Contingency to Sand (\$6,584), Salt (\$27,050), Salaries & Wages-Overtime (\$27,812). Mr. Boland seconded. Mr. Cyr questioned the detail of the storm report. Why does 2" of wet snow cost more than 7" or 8". First Selectman Rosenthal explained timing has everything to do with it. If it is overtime the cost is recorded in the report. If it is straight time, it is not, they were clocking in for a normal work day which is not an added cost. Motion unanimously approved.

State/Municipal/Charitable Trust Approach (Attachment C) – Mr. Gaston explained that the Federal Income Tax only allows a limited amount of state and local taxes to be deducted. There are vehicles that other states have used to get a deduction. Some states use school vouchers that you pay into and get a deduction. The idea is to have an entity you pay into and get a deduction and then what you pay pays your taxes. Mr. Gaston explained that there are two ways we can proceed. They can proceed by saying they we are in support of this at a state level or they can invite Mitch Bolinsky to our next meeting to discuss it further. Mr. Gaston explained that he believes the state would want to have it so each municipality doesn't have an separate entity. First Selectman Rosenthal agreed that this is something that should be looked into. Mr. Cyr also agreed but if he were the IRS, he would deny it. It is worthwhile for the BOF to be on top of this so we can address it to the community. It was agreed to invite Mitch Bolinsky to their next meeting.

Voter Comments – None

Announcements – None

Having no further business, the meeting was adjourned at 8:19PM

Respectfully submitted,
Arlene Miles, Clerk

TOWN OF NEWTOWN
APPROPRIATION (BUDGET) TRANSFER REQUEST

[illegible]

TOWN OF NEWTOWN
LEGAL DETAIL - FISCAL YEAR 2017-18
UP TO 04/26/2018

<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>
CHRISTOPHER R. LAUX, A.I.A.	ADA consult-EICHLERS	1,913
COHEN & WOLF	Legal retainer	40,000
	RELOCATION OF EDMOND ROAD	512
	FORCLOSURE	788
	TAX APPEALS	568
	ESTATE OF JESSE LEWIS	1,150
	75 CHURCH HILL	1,022
	LEAPS OF FAITH	9,669
	OTHER	186
	CH BOOTH LIBRARY	544
JOHN M. ROMANOW, ARBITRATOR	DISPATCH - MEDIATION	3,600
KAINEN ESCALERA AND MCHALE	GENERAL CONSULTING	8,693
	DISPATCH NEGOTIATIONS	16,319
	POLICE NEGOTIATIONS	9,597
	STATE BOARD OF MEDIATION & ARBITRATION	21,707
	DEJOSEPH	15,048
	CLASS ACTION	110
LOUIS P. PITTOCCO	DISPATCH - MEDIATION	2,192
PULLMAN & COMLEY	POZNER & LEWIS	28,181
	WOLFGANG	1,897
	PENSION COMMITTEE	1,697
J/E	REVERSE A/P JE	(920)
		164,473
	<u>SUMMARY RECAP:</u>	
	UNION NEGOTIATIONS/MEDIATION	39,481
	EMPLOYEE ISSUES	21,707
	SANDY HOOK RELATED	31,228
	LEAPS OF FAITH	9,669
	LEGAL RETAINER - TOWN COUNCIL	40,000
	DEJOSEPH PENSION MATTER	15,048
	OTHER	7,341
		164,473

XXX
Newtown

03/26/2018
Fiscal Year 2017-2018

1-101-11-100-5350-0000 PROF SVS - LEGAL 101 GENERAL FUND	Orig Budget	Transfers	Adj Approp	Encumbered	Ytd Expended	Balance	%Exp
	\$200,000.00	\$0.00	\$200,000.00	\$20,000.00	\$164,473.49	\$15,526.51	92.24%
	\$200,000.00	\$0.00	\$200,000.00	\$20,000.00	\$164,473.49	\$15,526.51	92.24%
Grand Total for Report	\$200,000.00	\$0.00	\$200,000.00	\$20,000.00	\$164,473.49	\$15,526.51	92.24%

Encumbrance represents four
months legal retainer

Calculation of amount needed:
Take out 40,000 charged legal retainer:
 $124,473 / 8 \text{ } 1/2 \text{ months times } 3 \text{ } 1/2 \text{ months} =$
estimated amount over = 51,253; say 55,000

TOWN OF NEWTOWN
APPROPRIATION (BUDGET) TRANSFER REQUEST

4/2/18

AFTER 335 DAYS >>>>(1), (2), (3), (5) & (6) ANY AMOUNT FROM CONTINGENCY>>>> ALL SIGN OFF

TOWN OF NEWTOWN APPROPRIATION (BUDGET) TRANSFER REQUEST

FISCAL YEAR

2017 - 2018

DEPARTMENT

Public Works

DATE

3/28/18

FROM:

Account

1-101-20-570-5899-0000CONTINGENCY

Amount

(56,446.00)

USE NEGATIVE
AMOUNT

TO:

1-101-13-510-5680-0000SAND

6,584.00

USE POSITIVE
AMOUNT

1-101-13-510-5681-0000SALT

27,050.00

1-101-13-510-5130-0000SALARIES & WAGES - OVERTIME

22,812.00

REASON:

All three items exceed original budgets based on actual usage. In addition, sand usage was within 151cy, salt was within 208 tons and overtime 93 hours over of the five year average. The conclusion is that the budgets should be set at or near the five year average to cushion or avoid the need to lean on Contingency or be held hostage to uncertain weather patterns.

AUTHORIZATION:

(1) DEPARTMENT HEAD

(2) FINANCE DIRECTOR

(3) SELECTMAN

(4) BOARD OF SELECTMEN

(5) BOARD OF FINANCE

(6) LEGISLATIVE COUNCIL

date:

3/27/18

3/27/18

AUTHORIZATION SIGN OFF

FIRST 335 DAYS >>>>WITH IN A DEPT.>>>>LESS THAN \$50,000>>>> (1), (2) & (3) SIGNS OFF; MORE THAN \$50,000>>>> (1), (2), (3) & (5)
>>>>ONE DEPT TO ANOTHER>>>>LESS THAN \$200,000>>>>ALL EXCEPT (6); MORE THAN \$200,000>>>>ALL SIGN OFF
AFTER 335 DAYS >>>>(1), (2), (3), (5) & (6) ANY AMOUNT FROM CONTINGENCY>>>> ALL SIGN OFF

2017-2018

Storm #	DATE	DAY	TIME	TIME	TYPE OF	SAND			TREATED SALT			OVERTIME		TOTAL	
						USED	PER YD	TONS	COST	USED	TONS	COST	HOURS	COST	COST OF STORM
Storm #	1 12/9-12/10/17	Sat.-Sun.	IN	3:00 AM	STORM	YDS	\$19.25	294.23	\$78.07					\$ 48,274.02	
	2 12/12-12/13/17	Tue-Wed.	10:00 AM	12:30 AM	6" Snow	247.9	\$4,772.08	244.85	\$19,115.44	100	\$4,432.96	\$ 27,119.27		\$ 27,119.27	
	3 12/14/2017	Thur.	8:30 PM	7:00 AM	Light Snow	185.5	\$3,570.88	147.7	\$11,530.94	96	\$4,274.67	\$ 18,161.81		\$ 18,161.81	
	4 12/15/2017	Fri.	3:00 AM	9:00 PM	1" Light Snow	122.4	\$2,356.20	154.58	\$12,068.06	72	\$3,224.41	\$ 17,602.47		\$ 17,602.47	
	5 12/13/2017	Saturday	3:45AM	8:00 AM	Freezing Rain	125	\$2,406.25	149.86	\$11,699.57	79.25	\$3,553.21	\$ 17,659.03		\$ 17,659.03	
	6 12/25/2017	Monday	4:30 AM	12:00 PM	2" wet snow	158	\$3,041.50	192.56	\$15,033.16	194.5	\$11,160.67	\$ 29,235.33		\$ 29,235.33	
	7 12/30/2017	Saturday	9:30 AM	4:30 PM	light snow	148.1	\$2,850.93	187.14	\$14,610.02	145.75	\$6,490.81	\$ 23,951.75		\$ 23,951.75	
	8 1/4-1/5/2018	Thur - Friday	3:00 AM	12:00 AM	10" Snow	293.25	\$5,645.06	375.5	\$29,315.29	352	\$15,632.20	\$ 50,592.55		\$ 50,592.55	
	9 1/9/2018	Monday	3:30 PM	6:15 PM	Light Snow	64	\$1,232.00	82.51	\$6,441.56	66.25	\$2,936.25	\$ 10,609.81		\$ 10,609.81	
			Wednesday and Thursday	3:30 AM and 3:00 AM	4:15 PM and 7:00 AM	2" Snow									\$ 52,855.18
	10 1/17 & 1/18/18	Wednesday and Thursday	3:00 AM	7:00 AM	2" Snow	362.2	\$6,972.35	445.51	\$34,780.97	250.25	\$11,101.86	\$ 52,855.18		\$ 52,855.18	
	11 1/30/2018	Tuesday	2:15 AM	7:00 AM	2" Light Snow	129.5	\$2,492.88	159.68	\$12,466.22	115.25	\$5,120.08	\$ 20,079.17		\$ 20,079.17	
	12 2/2/2018	Friday	3:45 AM	7:00 AM	1/2-1" Snow	150.5	\$2,897.13	184.52	\$14,405.48	94.5	\$4,178.23	\$ 21,480.83		\$ 21,480.83	
			Wednesday and Thursday	4:00 AM and 4:00 AM	7:15 PM and 7:00 AM	1" of Snow, Freezing Rain, and Ice									\$ 55,460.03
	13 2/7 & 2/8/2018	Wednesday and Thursday	4:00 AM	7:00 AM	Slopy Ice	372.65	\$7,173.51	458.48	\$35,793.53	282.25	\$12,492.98	\$ 55,460.03		\$ 55,460.03	
	14 2/14/2018	Wednesday	6:00 AM	7:00 AM	6" of Snow	37.4	\$719.95	43.9	\$3,427.27	5.25	\$233.05	\$ 4,380.27		\$ 4,380.27	
	15 2/17-21/8/2018	Sat-Sunday	5:30 AM	6:30 AM	Mixed Snow & Ice	201	\$3,869.25	241.71	\$18,870.30	339	\$15,024.83	\$ 37,764.38		\$ 37,764.38	
16 3/2/2018	Friday	7:00 AM	10:30 PM	12 - 15" Wet Snow Down Trees & Wires	100.25	\$1,929.81	118.1	\$9,220.07	169.25	\$7,518.37	\$ 18,668.25		\$ 18,668.25		
17 3/7-3/9/2018	Wed - Friday	3:00 AM	7:00 AM	Small crew to slay and help Eversource clean up wood to open roads	183.75	\$3,537.19	223.83	\$17,474.41	698	\$30,810.68	\$ 51,822.28		\$ 51,822.28		
17 Cont. 3/9-3/11/2018	Fri-Sunday	3:30 PM	12:45 PM	Small crew to slay and help Eversource clean up wood to open roads											
18 3/13/2018	Tuesday	1:00 AM	5:00 PM	10-12" Heavy snow	108.9	\$2,096.33	135.46	\$10,575.36	172.5	\$7,458.21	\$ 7,458.21		\$ 7,458.21		
19 3/21-3/22/18	Wed-Thursday	3:30 PM	7:00 AM	2" Wet Snow	270.3	\$5,203.28	325.86	\$25,439.89	142.75	\$6,357.40	\$ 19,029.09		\$ 19,029.09		
Other Overtime Performed between 11/15/18 to 4/15/18									369.25	\$16,311.04	\$ 46,954.21		\$ 46,954.21		
Sand for residents at the Transfer Station									476	\$ 20,811.83					
					TOTAL	3645.6	\$70,197.05	4165.98	\$325,238.06	4206	\$209,655.15	\$ 579,157.93		\$ 579,157.93	
					YDS Sand	Cost of Sand	Tons Salt	Cost of Salt	OT Hrs	Cost of OT	Total cost of Storms				

04/02/2018

Fiscal Year 2017-2018

Newtown

1-101-24-570-5899-0000 CONTINGENCY

Balance	%Exp
\$179,000.00	0.00%

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Adj Approp

Transfers

Orig Budget

1

1

1

\$179,000.00	0.00%
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00.05

00:05 00:00

(521,000.00)

172

1-800-4-A-RENTAL

1101

Attachment C

The CT Mirror (<https://ctmirror.org/2018/02/12/ct-will-use-ammo-from-red-states-to-fight-irs-over-tax-plan/>)

CT will use ammo from 'red' states to fight IRS over tax plan

By: **ANA RADELAT** | February 12, 2018

Washington – Connecticut's bid to do an end run around the limits on the deductibility of state and local taxes under the new federal tax law is likely to engender a new clash with the Trump administration, but it's also based on precedent and law.

The new proposal, submitted as legislation (<https://www.cga.ct.gov/2018/TOB/pdf/2018SB-00011-R00-SB.pdf>) to the General Assembly last week, uses as precedent similar moves the Internal Revenue Service allowed in other states to increase government funding for education, shelters for battered women and other local government initiatives.

"There are already programs like this, mostly in 'red' states," said Connecticut Department of Revenue Services Commissioner Kevin Sullivan.

Gov. Dannel P. Malloy proposed allowing municipalities to set up certain "charitable" organizations that would pay for some of the obligations that local government has – say running schools or picking up trash.

Connecticut taxpayers would then "donate" to this fund and be able to take a credit on their municipal taxes. The donation also would become a charitable deduction on their federal tax forms. While the federal charitable deduction has been left intact and is largely unlimited, the new tax overhaul capped the deductibility of state and local taxes at a total of \$10,000, which hurt states like Connecticut that have a high cost of living and higher state and local taxes.

New Jersey, New York, Connecticut, California, Maryland and Washington, D.C., have the highest average deduction claims.

California is credited with leading the effort to find a way to help these mostly "blue" states to counter the new cap on state and local income tax deductibility.

The California state Senate has approved a bill that would allow 85 percent of contributions to a special state fund to be credited against the donor's state tax liability and taken 100 percent as a charitable deduction on a federal tax form. That bill will soon be considered by California's House.

California, Connecticut and other states seeking to blunt the impact of the new federal tax law looked to a study they hope will give them legal ammunition against the Trump administration pushback they anticipate.

"We did the legal research," Sullivan said.

The study.



KEITH M. PHANEUF / CTMIRROR.ORG FILE PHOTO

Gov. Dannel P. Malloy, right, and Department of Revenue Services Commissioner Kevin Sullivan.



(<https://ctmirror.us5.list-manage.com/subscribe/post?u=c546f7dc4bbb36c1f14f9c8f1&id=571d22f3c4>)

(<https://www.documentcloud.org/documents/4375645-Fed-Income-Tax-Treatment-of-Charitable.html>), written by eight law professors who specialize in taxes, cites a 2011 Internal Revenue Service memo that said state and local governments may turn charitable donations into tax credits under certain conditions.

The study also cited court cases upholding the practice by some jurisdictions.

"In a tax system where both charitable contributions and state/local taxes are deductible, the ability to reduce state tax liabilities via charitable contributions confers no particular federal tax advantage," the study said. "However, in a tax system where charitable contributions are deductible but state/local taxes are not, it may be possible for states to provide their residents a means of preserving the effects of a state/local tax deduction, at least in part, by granting a charitable tax credit for federally deductible gifts, including gifts to the state or one of its political subdivisions."

A growing tax rebellion

Before the new federal tax plan was signed into law, there were at least 18 states that turned charitable contributions into tax credits, not to increase federal deductions but to steer funds to key programs.

Arizona, South Carolina, Alabama and Georgia, for instance, are among the states that allow tax credits for donations to school voucher programs.

Missouri gives tax credits for donations to local food pantries and shelters for victims of domestic violence, and many states give credits for land donated for conservation easements.

Kirk Stark, a professor at the UCLA School of Law and an author of the study, said, "It is very common for state and local governments to incentivize donations to certain entities."

"Some of those are government entities, some of them are non-profit entities," Stark said.

The IRS allows those transfers.

But Stark said the IRS probably will take a different position on the issue than it did in 2011 if Connecticut and other states try to work around the new cap on the deductibility of state and local income taxes, stripping the U.S. Treasury of funds.

Sullivan also is aware there could be trouble for Connecticut towns that want to implement the plan. "I assume the Trump administration will put the squeeze on the IRS and on the states," he said.

Kirk advised those seeking a workaround to ask the IRS for an advance ruling on their plans.

Ultimately, Congress could outlaw the practice, but that would reopen the bitter debate on the tax overhaul, which did not get any Democratic support.

Meanwhile more states, including Maryland, New Jersey and the District of Columbia, are joining the tax rebellion.

Sullivan said Connecticut's proposal would give towns the option of joining the program or not, to set up whatever funds they think are necessary and to make the credit at whatever percentage of the donation they choose.

Taxpayers making charitable contributions would do so before they received their tax bills, so the donations could not be considered a tax payment, Sullivan said.

He also said Connecticut would have a "window of time" before the new program became effective "to determine whether we will have a fight with the IRS." He said the proposal has been embraced by Democrats in the state assembly "and Republicans have not criticized it."

Pat O'Neil, spokesman for House Republican leader Themis Klarides, said the GOP representative is "willing to consider" the tax plan.

"We don't know exactly how it's going to work," he added.

Malloy also proposed changing Connecticut's tax law to allow sole proprietors to deduct payments of state and local taxes as business expenses.

Comments

6 comments