

3 PRIMROSE STREET  
NEWTOWN, CT 06470  
TEL. (203) 270-4221

BOARD OF FINANCE  
MINUTES

REGULAR MEETING

Council Chambers

3 Primrose Street

Newtown, CT 06470

Monday, November 25, 2019 at 7:30 p.m.

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

**Present:** Jim Gaston, Mark Boland, Sandy Roussas, Ned Simpson and Keith Alexander

**Absent:** Steve Hinden

**Also Present:** First Selectman Dan Rosenthal, Finance Director Bob Tait, one member of the press and one member of the public

Chairman Gaston called the meeting to order at 7:36 p.m. Attendees saluted the American Flag.

**Voter Comments**

None

**Communications**

Chairman Gaston called to accept into the agenda a request from the police department to accept the award of a \$34,337.78 grant.

Sandy Roussas moves to accept into the agenda a request from the police department to accept the award of a \$34,337.78 grant. Keith Alexander seconds. All in favor and motion carries.

Mr. Gaston thanked the Board for the small ceremony that was held prior to the BOF meeting tonight in his honor for his many years of service for Newtown. Mr. Gaston shared it was an honor to serve the Town for so many years.

The event Oath of Office Ceremony of Elected Officials is being held on Saturday, November 30<sup>th</sup> at 11am at the Newtown Community Center. All are welcome to attend.

**Minutes**

Sandy Roussas moves to approve the minutes of November 12, 2019. Keith Alexander seconds. All in favor and motion passes.

**First Selectman's Report**

The First Selectman shared that they broke ground on the new police facility last week. A couple of options regarding driveway access were shared at the last BOF meeting; bringing the driveway out to Pecks lane will be the best option for various reasons.

The BOS held a Fairfield Hills Campus Community Conversation meeting for the public on November 18<sup>th</sup>. The First Selectman shared that although it was fairly well attended, he would have liked to see more of the public in attendance. The next meeting will be held sometime in January (date TBD). This meeting will include possible concrete options for the future of Fairfield Hills. An additional meeting will be held sometime in February (date TBD). The goal is to have a referendum in April regarding the future plans for Fairfield Hills.

**Finance Director's Report**

Finance Director, Bob Tait, spoke regarding FEMA Grant Proceeds. The items discussed were the following: initial funding, budgeted use of fund balance versus the actual use of fund balance relating to

the storm, auditor entry recording, FEMA grant receivable, unassigned fund balance percent of total budget and general proposed use/possible use of grant proceeds (see attached). Mr. Tait explained the various funds available during the fiscal year 2017-18 and as well as 2018-19 and how the Town was able to financially handle the significant cost of the storm.

The Town's fund balance policy states a maximum unassigned fund balance to total budget of 12% (the goal). The adopted and amended fund balance will be 13.63% such that further policy strategies will need to be discussed.

Chairman Gaston mentioned the Boards need to consider the following strategies because the fund balance policy goal is 12% and we are expected to be at 13.63%; therefore, the next Board of Finance and other respective Boards and Councils may have to look at three avenues of potential strategies: the first being reducing debt service. The second being having a higher fund balance to secure both Moody's and Standard and Poor's AAA bond ratings. The third and final is reduction in subsidies from the state level.

Ms. Roussas asked Mr. Tait where we land in the rating agencies' recommendations in terms of fund balance as a percentage. Mr. Tait replied that we would need to look at that when we look at the fund balance policy. He suggested one possible option is a slow increase in percentage growth as the years go on. The rating agencies have seen the Town's fund balance increase over the years due to best practices.

Mr. Alexander wanted to ensure the correct funds will be appropriated in alignment with how the monies were spent.

### **Unfinished Business**

#### **Debt Policy**

Mr. Gaston shared the recent version of the Debt Management Policy and suggested this piece of Unfinished Business be tabled until the next Board commences.

### **New Business**

Ms. Roussas made a motion to accept a request from the police department, permission to accept the award of a \$34,337.78 grant from the state department of transportation for highway safety -drug recognition expert training. Keith Alexander seconds. All in favor and motion carries.

### **Voter Comments**

None

### **Announcements**

Mr. Alexander thanked Mr. Boland and Mr. Hinden for their dedication in sitting on the Board of Finance.

### **Adjournment**

Sandy Roussas made a motion to adjourn. Keith Alexander seconds. All members were in favor and the meeting was adjourned at 8:05pm.

Respectfully submitted,  
Kiley Gottschalk, Clerk

### **Attachments**

Storm FEMA Grant Proceeds  
Town of Newtown Financial Impact Statement  
Debt Management Policy

## **STORM OF 05/15/2018 FEMA GRANT PROCEEDS:**

- Initial funding
  - Use of fund balance
    - 2017-18
    - 2018-19
  - Budget transfer
    - 2017-18
- Budgeted use of fund balance vs actual use of fund balance
  - 2017-18
  - 2018-19
- Auditor entry recording FEMA grant receivable in general fund at 06/30/2019
- Unassigned fund balance as a % of total budget
  - 2017-18
  - 2018-19 before auditor grant receivable entry
  - 2018-19 after auditor grant receivable entry
- Proposed use of grant proceeds

Initial funding for 05/15/2018 storm:

- Use of fund balance

- 2017-18 \$ 700,000

- 2018-19 \$ 500,000

\$1,200,000

- Budget transfers from various accounts

- 2017-18 \$ 300,000

Total initial funding \$1,500,000

Note: \$381,143 was expended in the FEMA grant fund in anticipation of grant proceeds. This was used for wood grinding related to the storm. This expenditure in the FEMA grant fund was approved by the auditors (the amount was considered significantly lower than the expected proceeds)

# BUDGETED USE VS ACTUAL USE

**TOWN OF NEWTOWN, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes	\$ 104,900,767	\$ 104,900,767	\$ 104,543,685	\$ (357,082)
Intergovernmental	5,555,045	6,586,526	7,317,996	731,470
Charges for goods and services	2,147,470	2,147,470	2,349,207	201,737
Investment income	400,000	400,000	461,733	61,733
Other	217,250	217,250	229,516	12,266
Total revenues	113,220,532	114,252,013	114,902,137	650,124
<b>EXPENDITURES</b>				
Current:				
General government	4,637,210	4,702,291	4,600,777	(101,514)
Public safety	10,398,092	10,043,157	9,943,265	(99,892)
Health and welfare	2,904,941	2,906,160	2,886,609	(19,551)
Land use	684,451	669,771	663,714	(6,057)
Public works	9,863,190	9,731,636	9,677,738	(53,898)
Parks and recreation	2,406,118	2,406,118	2,396,849	(9,269)
Education	72,995,957	74,064,636	74,064,636	-
Contingency	200,000	2,133	-	(2,133)
Debt service:				
Principal	6,766,194	6,766,194	6,766,194	-
Interest and fiscal charges	2,170,874	2,170,874	2,170,874	-
Total expenditures	113,027,027	113,462,970	113,170,656	(292,314)
Excess of revenues over expenditures	193,505	789,043	1,731,481	942,438
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of fund balance	-	700,000	-	(700,000)
Cancellation of prior year encumbrances	-	-	34,510	34,510
Transfers in	175,000	175,000	350,000	175,000
Transfers out	(368,505)	(1,664,043)	(1,663,729)	314
Total other financing sources (uses)	(193,505)	(789,043)	(1,279,219)	(490,176)
Net change in fund balances	\$ -	\$ -	452,262	\$ 452,262
Fund balance - beginning			12,550,012	
Fund balance - ending			\$ 13,002,274	

*See accompanying notes to required supplementary information.*

# BUDGETED USE VS ACTUAL USE

TOWN OF NEWTOWN, CONNECTICUT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019

\*\*\*BEFORE FINAL GRANT RECEIVABLE ENTRY\*\*\*

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
REVENUES				
Property taxes	\$ 107,559,739	\$ 107,559,739	\$ 107,411,022	\$ (148,717)
Intergovernmental	6,587,409	6,587,409	7,127,975	540,566
Charges for goods and services	2,089,050	2,089,050	2,195,585	106,535
Investment income	450,000	450,000	1,196,136	746,136
Other	235,000	235,000	172,358	(62,642)
Total revenues	116,921,198	116,921,198	118,103,076	1,181,878
EXPENDITURES				
Current:				
General government	4,779,599	4,796,623	4,676,980	(119,643)
Public safety	10,388,213	10,241,149	10,192,510	(48,639)
Health and welfare	2,905,748	2,882,492	2,859,235	(23,257)
Land use	683,294	682,812	662,685	(20,127)
Public works	10,378,691	10,618,250	10,545,798	(72,452)
Parks and recreation	2,452,159	2,421,750	2,410,223	(11,527)
Education	76,054,231	75,725,459	75,725,459	-
Contingency	120,000	6,264	-	(6,264)
Debt service:				
Principal	6,736,992	6,728,992	6,728,992	-
Interest and fiscal charges	2,253,376	2,253,376	2,253,376	-
Total expenditures	116,752,303	116,357,167	116,055,258	(301,909)
Excess of revenues over expenditures	168,895	564,031	2,047,818	1,483,787
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	-	500,000	-	(500,000)
Cancellation of prior year encumbrances	-	-	23,078	23,078
Transfers in	200,000	200,000	400,000	200,000
Transfers out	(368,895)	(1,264,031)	(1,263,666)	365
Total other financing sources (uses)	(168,895)	(564,031)	(840,588)	(276,557)
Net change in fund balances	\$ -	\$ -	1,207,230	\$ 1,207,230
Fund balance - beginning			13,002,274	
Fund balance - ending			\$ 14,209,504	

See accompanying notes to required supplementary information.

FEMA grant receivable entry at 06/30/2019:

Estimated FEMA reimbursement	\$2,089,437
Less – wood grinding charged to FEMA grant account	<u>(\$ 381,143)</u>
FEMA reimbursement to be applied to general fund at 06/30/2019**	\$1,708,294

\*\* FEMA grant receivable  
FEMA grant (revenue)

## UNASSIGNED FUND BALANCE AS A % OF TOTAL BUDGET:

	<u>Adopted Budget</u>	<u>Amended Budget</u>
2017-18	11.31%	11.24%
2018-19 (before receivable entry)	11.90%	11.85%
2018-19 (after receivable entry)	13.36% **	13.30%

\*\* Current fund balance policy – max = 12.00%



## **PROPOSED USE OF FEMA GRANT PROCEEDS:**

- Fund some budget transfers made in 2017-18. For example roads.
- Fund some capital items taken out of the 2018-19 budget (in anticipation of grant proceeds)
- Fund some other important capital items that will likely be requested in 2020-21 budget (above the prior year request)
- Balance of grant proceeds will stay in unassigned fund balance

A request, from the police department, permission to accept the award of a \$34,337.78 grant from the state department of transportation for highway safety - drug recognition expert training.

**TOWN OF NEWTOWN  
FINANCIAL IMPACT STATEMENT  
(Per Town Charter 6-35(b), 6-40 & 7-25)**

REQUESTING DEPARTMENT POLICE

PROJECT: DRUG RECOGNITION EXPERT TRAINING GRANT

PROPOSED APPROPRIATION AMOUNT: \$ 34,338

PROPOSED FUNDING:

BONDING

GRANT

OTHER

\$ 34,338

\$ 34,338

**ANNUAL FINANCIAL IMPACT ON OPERATING BUDGET (GENERAL FUND):**

List any financial impact your request will have on the Town's annual operating budget.  
Attach spreadsheet(s) showing your calculation of the estimated impact.

EXPENDITURE CATEGORY:	**FOR BRACKETS USE NEGATIVE SIGN BEFORE NUMBER**	(POSITIVE IMPACT) / NEGATIVE IMPACT	Attachment #
SALARIES & BENEFITS		***	
PROFESSIONAL SERVICES			
CONTRACTED SERVICES			
REPAIRS & MAINTENANCE			
UTILITIES			
OTHER			
DEBT SERVICE (1st year)			
TOTAL IMPACT ON EXPENDITURES		<u>\$ -</u>	

REVENUE CATEGORY:	POSITIVE IMPACT / (NEGATIVE IMPACT)	Attachment #
PROPERTY TAXES		
CHARGES FOR SERVICES (FEES)		
OTHER		
TOTAL IMPACT ON REVENUES	<u>\$ -</u>	

TOTAL FINANCIAL IMPACT ON OPERATING BUDGET \$ -

**EQUIVALENT MILL RATE OF TOTAL IMPACT**

(using current year's information)

0.0000 mills

**COMMENTS:**

NO FINANCIAL IMPACT ON THE GENERAL FUND. OVERTIME AND RELATED TRAVEL WILL BE REIMBURSED BY THIS GRANT.

PREPARED BY:



DATE: 11/6/2019+A1

TO: BOF, LC

PROJECT TITLE		APPLICANT	
Drug Recognition Expert (DRE) Support		Newtown Police Department	
		OBJECTIVES	PAGE 1 OF 4

**\*\*Press "ALT"&"Enter" together to insert new line**

**OBJECTIVES**  
Describe the objectives to be accomplished during this project.  
The objectives should be specific, clearly written, measurable, and time-framed.

To decrease drug related crashes, injuries and fatalities through high visibility enforcement and prosecution of DUI offenders by:

- \*Increasing the number of law enforcement officers trained to recognize the signs of an impaired driver under the influence of illegal or legal drugs or medications by providing statewide coordination of Advanced Roadside Impaired Driving Enforcement (ARIDE) training to law enforcement.
- \*Increasing the number of certified Drug Recognition Experts, instructors, and practitioners by providing statewide coordination of Drug Recognition Expert (DRE) training to law enforcement.
- \*Increasing law enforcement recognition and conviction of various types of impaired driving, beyond alcohol impairment, by providing coordination to establish a DRE training program.
- \*To reimburse DRE instructors for expenses incurred in facilitating the DRE practitioner class in Connecticut.

DRE training for police officers will be offered for the purpose of increasing the number of DRE practitioners and to ensure that in-service law enforcement practitioners making alcohol and/or drug arrests are properly trained in the detection and apprehension of impaired drivers. It also will reinforce that trained police officers follow the standardized and systematic arrest procedures that will hold up in court.

**Assist in the following activities**

Provide 6 Advanced Roadside Impaired Driving Enforcement (ARIDE) classes to law enforcement within Federal Fiscal Year (FFY) 2020

Provide 1 Drug Recognition Expert (DRE) class to law enforcement within FFY 2020

Provide 1 DRE Instructor class to law enforcement within FFY 2020

Increase certified DREs by 20% from 50 in FFY 2019 to 60 in FFY 2020

Increase certified DRE Instructors by 50% from 10 in FFY 2019 to 15 in FFY 2020

Increase DRE evaluations by 20% from 120 in FFY 2019 to 144 in FFY 2020

**\*Reimbursement will be for both straight time and overtime expenses as required\***

# TOWN OF NEWTOWN, CT

## DEBT MANAGEMENT POLICY

### I. PURPOSE

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the Town of Newtown.

Debt obligations, which include general obligation bonds, special assessment bonds, revenue bonds, bond anticipation notes, lease/purchase agreements and any other debt obligations permitted to be issued under Connecticut law shall ~~only be issued to purchase capital assets that cannot be acquired with current revenues.~~ Issuance of debt shall follow the Capital Improvement Plan (see Section 310)

### II. POLICY STATEMENT

Under the requirements of Federal and state laws and Town Charter provisions, ordinances and resolutions, the Town may periodically issue debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. It is the Town's goal to assure that such debt obligations are issued and managed in such a manner as to obtain the best long-term financial advantage to the Town and its residents, while making every effort to maintain and improve the Town's bond ratings and reputation in the investment community. Newtown seeks the highest long term obligation rating Moody's and Standard & Poor's confers on municipalities. *practical*

### III. RESPONSIBILITY FOR POLICY

- FINANCE DIRECTOR*
- A. The ~~Director of Finance~~ shall be responsible for issuing debt, and managing the Town's debt program. In carrying out this policy, the Director shall periodically:
1. Consider the need for debt financing based upon the approved Capital Improvement Plan.
  2. Review the Town's adherence to this policy statement and compare the debt ratios established in this policy with where the Town actually is.
  3. Review the Town's authorized but unissued debt to determine if any authorizations are no longer needed.
  4. Determine if there are any opportunities for refinancing current debt.
  5. Review every three years the services provided by the Town's financial advisor, bond counsel, paying agents and other debt financing service providers.
- FINANCE DIRECTOR*
- B. The ~~Director of Finance~~ shall report his/her findings to the Board of Selectmen, Board of Finance and Legislative Council in the September/October time period of each year, during the Town's review and formulation of the Capital Improvement Plan.



- C. Actual issuance of bonds and material changes to the measures identified below shall be reported to the Board of Finance at their next meeting by the ~~Director of Finance.~~ **Finance Director**

#### IV. GENERAL DEBT GOVERNING POLICIES

The Town hereby establishes the following policies concerning the issuance and management of debt:

- D. the Town shall only issue debt obligations for ~~acquiring, constructing renovating Town-owned assets capital equipment~~ approved Capital Asset Projects as defined within 3.10-6 of the Capital Improvement Plan ("CIP") Policy; or for refinancing existing debt obligations.
- E. The Town shall not issue debt obligations or use debt proceeds to finance current operations of the Town.
- F. The Town will <sup>practically</sup> utilize debt obligations ~~only~~ when an approved Capital Asset Project cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
- G. The Town will measure the impact of debt service requirements of outstanding and proposed debt obligations on single year, five, ten, and twenty-year periods.
- G.H. <sup>Finance</sup> ~~The Director of Finance~~ will present a report on the measures in Section V to the Board of Finance prior to their taking final action on the CIP. This report will include any funding parameters related to the Combined BOS and BOE proposed CIP Capital Asset Projects which may impact this policy.

#### V. DEBT POLICIES, RATIOS AND MEASUREMENT

- ~~A. Direct Debt Per Capita—calculated by dividing the Town's direct debt by the most current population figure. An analysis of this debt ratio should be made each year. It should be looked at in context with other related ratios (mentioned). A comparison should be made with other similar rated Connecticut towns and towns rated one step higher~~
- B.A. -Ratio of General Fund Total Bonded Debt to Taxable Net Grand List - An increasing ratio of debt to net grand list (over several years) is not desirable. This debt ratio should be made each year. It should not go beyond 3%.
- C.B. Maximum Maturity – All debt obligations shall have a maximum maturity of twenty years. The estimated useful life of the Capital Asset Project being financed should be considered when determining the maturity of debt. In the event debt obligations are being issued to refinance outstanding debt obligations the final maturity of the debt obligations being refinanced shall remain the same maturity.

D.C. Average Maturity of General Obligation Bonds —The Town shall have at least 50% of outstanding general obligation bonds mature in less than ten (10) years.

E.D. Ratio of General Fund Annual Debt Service ~~as a Percent of~~ Total Annual Budget (Debt Service Level) —The Town will adhere to a debt management cap that limits annual General Fund debt service to no more than 9.0% of the total General Fund budget. In addition, the Town will set a goal of limiting annual General Fund debt service to ~~no more than~~ less than 8.5% of the total General Fund budget by July 1, 2023. 8.5% or less

F.E. Net Present Value Savings — The Town must achieve a Net Present Value Savings of at least 2 percent over the life of an existing bond issue in order for it to be considered for refunding.

G.F. Bond Covenants and Laws — The Town shall comply with all covenants and requirements of the bond resolutions, and state and Federal laws authorizing and governing the issuance and administration of debt obligations.

H.G. If the debt management indicators fall outside the recommended levels, the ~~Director of Finance~~ Director shall recommend and submit to the Board of Finance for approval, a plan to bring the debt management indicators to their appropriate levels within a specific time frame.

## VI. DEBT SERVICE INDICATORS

- A. The Town's debt ~~burden-measures~~ will be annually compared to Towns:
- In the immediate vicinity of the Town, including Bethel; Brookfield; Danbury; Monroe; New Fairfield; New Milford; Oxford; and Southbury;
  - With the same bond rating;
  - With a bond rating one level higher and
  - Within our District Reference Group ("DRG").
- B. The Town recognizes that the below ratios are useful guides but not the exclusive means by which it should measure debt burden:
- Ratio of Debt to equalized net Grand List (see V.A);  
Indicates Newtown's ability to repay its long term (bonded) debt. Increasing bonded long-term debt as a percentage of assessed valuation (taxable net grand list) is undesirable, as it suggests that debt is exceeding the government's ability to pay. Sustained growth in debt (well beyond tax base growth) may ultimately overburden a tax base and reduce economic viability by straining budget and tax resources and reducing flexibility. A government near its debt limit has less flexibility to meet future capital needs. Debt reduction, on the other hand, lower taxes and generate economic capacity to the extent that infrastructure necessary for economic growth isn't underfunded. A low debt profile may indicate underinvestment in infrastructure and capital facilities. Neglecting critical capital needs may impede economic growth and



endanger future tax revenue generation. S & P considers a debt to taxable net grant list (market value) of  $\leq 3\%$  to represent a low debt burden; 3 – 6% a moderate debt burden; and  $\geq 6\%$  a high debt burden.

ii. Average Maturity of General Obligation Bonds (Section V.B)  
Prudent use of debt dictates that the debt's term matches the useful economic life of the financed capital items. A faster maturity schedule may be desired to avoid increased interest costs, however, it can place undue strain on the operating budget. Tax-backed debt retirement that falls below 40% in 10 years is considered a weak fiscal practice.

i. Debt Service Level (Section V.D)  
Indicates the extent of Newtown's fixed costs for paying principal and interest on its local tax supported debt. Increasing debt service as a percentage of total budget reduces Newtown's expenditure flexibility and may suggest excessive debt and/or fiscal strain. Debt service above 10% of total budget constitutes a level at which budgetary competition is a significant consideration.

i.ii. Debt per Capita and Debt per Family;  
Calculated by dividing the Town's direct debt by most current population figure. A low ratio suggests Newtown has the ability to repay its long-term debt. If long-term debt is increasing as population stabilizes or declines, debt levels may be reaching or exceeding the government's ability to pay (assuming that the ability to generate revenue and repay debt is directly related to population size). A high ratio is not inherently bad, however, and must be considered in the local context. S & P, in 2014, indicates that overall debt per capita greater than \$2,500 is high.

ii.iii. Debt Per capita income;

iii.iv. Median household income

v. Debt per capita as a percentage of per capita income;

vi. Debt per capita as a percentage of median household income

The Town will, at the discretion of the ~~Director of Finance~~ <sup>Finance Director</sup>, employ data taken from the latest State of Connecticut Municipal Fiscal Indicators Report, the CERC Town Profile or other report from the CT Data Collaborative to compile the above ratios and develop trend lines from same.

VII. This policy shall be reviewed by the Board of Finance, at minimum, on a biennial basis during the month of January in each odd numbered year. Recommendations for change, if any will be presented to the Legislative Council for approval.

Approved by the Legislative Council: ~~October 4, 2017~~

Draft with comments from August 12, 2019 BOF meeting



**Ned's Editing Notes:**

1. We should add explicit steps in Section 310 CIP to be sure what gets approved does not blow-out any of the policy ratios
2. Is the proper title Director of Finance or Finance Director?
3. Ratios appeared in a number of sections. Tried to make Section V about policy and VI as the ratios
4. No policy about Per Capita debt
5. IV.H wording is pretty awkward