

**LEGISLATIVE COUNCIL
FINANCE AND ADMINISTRATION COMMITTEE**

Special Meeting

Council Chambers of the Municipal Center, 3 Primrose St, Newtown, CT

Wednesday, February 1, 2023

Minutes

PRESENT: Jeff Capeci, Ryan Knapp, Michelle Embree Ku, Matthew Mihalcik

CALL TO ORDER: Matthew Mihalcik called the meeting to order with the Pledge of Allegiance at 7:35pm

VOTER COMMENT: None

DEBT SERVICE AND CAPITAL NON-RECURRING POLICIES

Ryan Knapp spoke about the idea of moving away from the practice of incurring debt in order to fund capital projects, and moving toward a “pay-as-you-go” model. Budget surpluses and favorable finances have allowed the Fund Balance and Capital Non-Recurring account to grow in recent years. Newtown’s population growth is low, making this a good time to consider revising policy.

The Newtown Debt Management Policy was written by the previous LC Finance and Administration Committee to set a goal that everyone could commit to – “limiting annual General Fund debt service to 8.5% or less of the total General Fund budget by July 1, 2023.” That goal will be achieved. So, to start the process, we could set a new goal to further reduce debt service (to 7.5%, for example), and as debt retires, more money could be dedicated to Capital Non-Recurring.

Jeff Capeci noted that our current model is that as debt retires, we replace it with more debt (from the Capital Improvement Plan).

Ryan Knapp suggested a combination of reducing Capital Improvement projects and using money saved from retired debt service.

Michelle Embree Ku indicated that ideally, there would be an annual contribution to Capital Non-Recurring in an amount similar to what is currently dedicated to debt service, and that money would fund the Capital Improvement Plan (instead of borrowing).

Ryan Knapp indicated that it would force discipline - raiding savings to make up for budget issues would be detrimental.

Matt Mihalcik indicated that Southbury has had a longtime “pay-as-you-go” practice.

Michelle Embree Ku indicated that we should look at other towns’ policies, perhaps contact CCM, and ask Bob Tait to speak with our committee. She indicated that we should consider more possibilities

beyond reducing capital projects – there may be budgetary changes (similar to the way that road replacement moved from borrowed funds to budget).

Ryan Knapp indicated that what we want to do is build up a consistent contribution in the budget.

Jeff Capeci indicated that the challenge is determining where that contribution comes from.

- not issuing new debt?
- finding ways to manage the budget to step up contributions to capital non-recurring?

Ryan Knapp indicated that committing to a number would help to control borrowing. Policy is key.

Michelle Embree Ku indicated that we need a capital non-recurring policy to protect that fund from being used for budget items or spontaneous items. Policy would apply to future elected bodies.

There was discussion about how a bonding-free year or two could be leveraged.

Matt Mihalcik raised the question of how the ten-year CIP could be used as part of the plan.

Ryan Knapp will ask Bob Tait to consider possibilities for shifting CIP items away from borrowed funding and to Capital Non-Recurring funding.

Michelle Embree Ku asked that Bob Tait share the history of Capital Non-Recurring use and balance.

Ryan Knapp suggested that we should have a capital non-recurring fund policy regardless of whether we change the Debt Management Policy.

VOTER COMMENT: None

ADJOURNMENT: There being no further business, Mr. Capeci moved to adjourn the meeting at 8:50pm. Seconded by Mr Knapp. All in favor.

Respectfully submitted,

Michelle Embree Ku
Vice Chair
Finance and Administration Committee of the Legislative Council

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE FINANCE AND ADMINISTRATION COMMITTEE. ANY EDITS WILL BE REFLECTED IN THE MINUTES OF THE MEETING AT WHICH THEY ARE APPROVED.