

**BEACON FALLS BOARD OF FINANCE/BOARD OF
SELECTMEN
JOINT SPECIAL BUDGET WORKSHOP
April 3, 2012
MINUTES
(Draft Copy-Subject to Revision)**

First Selectman G. Smith called the meeting to order at 7:03 P.M.

PRESENT: Selectmen C. Bielik and D. D'Amico, Board of Finance Members M. Bronn, J. Dowdell, J. Huk, R. Doiron and J. Levine, M. Krenesky and Finance Manager M. Gomes

G. Smith began the meeting with the Pledge to the Flag.

G. Smith noted that the agenda that was posted for this meeting was posted on 4/2 however, it was dated 4/3 in error – noting that the posting was correct.

G. Smith explained that he thought long and hard regarding the budget. He noted that they had come to a 5.9% increase in the budget and he just didn't feel that they were going to be able to make that work.

He noted that the difference is (on page 15), the debt service line item is \$28,000 - new bond issue is an interest payment only (the \$28,000 puts in a little bit of a cushion). M. Gomes noted that it depends on when the loan is taken out as to what the principal payment will be.

After a lengthy discussion, it was confirmed that the number of \$6,024,037 is the budget number that G. Smith is proposing. It was noted that capital projects will have to be explained at the public hearing.

J. Dowdell noted that they voted to take the capital projects out of the budget and asked if we are now putting them back in.

It was noted that the 3 changes in the budget are adding \$20,000 back into the contingency making it \$100,000, \$210,000 change in debt service and \$8,000 into interest.

G. Smith explained that if anyone wants to change anything, now would be the time to do it. He explained that this is his proposal and the BOF will vote on it.

After the changes that G. Smith is proposing the increase in the budget will represent a 2.8% increase (noting that this reflects 1 6 month interest only payment on the debt service). G. Smith noted that after the 1st interest only payment, our next payment will be due on the anniversary of the 1st interest only payment which would put us at January 2014 (next fiscal year) noting the only payment due on this note for fiscal year 2012/2013 is interest only.

G. Smith explained his thought process: He noted that the sale of the cell tower is back on the table, kind of coming back to life- He recently looked at a 5 year note for payment on a loan for capital projects. He noted that if we sell the cell tower (noting that we may get \$100,000 more for it than we thought) and use a number of \$600,000, we can draft the note to say when our anniversary payment come up, we can actually re-amortize our note and recalculate our payment. G. Smith explained that his logic is this: we move forward with an interest only payment with the anticipation that we are going to sell the cell tower. Sell the cell tower, take the cash in and take \$500,000 from the sale and put it towards our note bringing our note back to a 5 year amortization which will make the payments approximately \$125,000 per year. He noted that any monies that are above the \$500,000 will be put towards our fund balance noting that we will be killing 2 birds with one stone by increasing our fund balance).

G. Smith explained that if the cell tower sale doesn't go through, the note for the capital projects will be written as a 10 year note. The 10 year note is our fall back with a yearly payment of \$123,000 per year (noting we will always have the option to re-amortize annually) but our yearly payment will remain \$123,000 for a 10 year note without the sale of the cell tower or \$123,000 for a 5 year note with the sale of the cell tower.

G. Smith noted that we still need to apply for a loan but so far the bank is saying "yes".

J. Levine asked why we are locked into \$12,000 for the 6 month interest payment; we are putting in \$28,000. M. Gomes noted that he does not know when the loan will be effective.

J. Levine noted he likes the idea but if the worst case scenario is that we can't get the loan or the public turns down us getting the loan and the cell tower doesn't happen, what will happen to Blackberry and the Streetscape. It was noted that Blackberry and the Streetscape has to be paid for. J. Levine noted that getting a million dollar loan past the public is not a sure thing.

A discussion took place regarding putting off the sale of the cell tower until the new boards were in place.

G. Smith explained that there are actually people who will buy cell towers at a loss so that they can put it in their pool. It becomes an asset when they can sell them in blocks.

J. Levine noted that a 2.8% increase is better than a 5.9% noting that there are certainly downsides.

G. Smith noted that the downside would be that if it gets shot down, they will then have to come back with a higher budget to cover Blackberry

Hill and the Streetscape. J. Levine sees the real downside as being the town turning down the loan and the cell tower not happening and then being faced with the \$145,000 for Blackberry and the cost of the Streetscape – if all falls through, you don't have the money to do these things.

M. Bronn noted that if the town turns us down, the budget gets raised.

J. Levine noted that the budget will go to the town before the loan request. He noted at that point, there will have to be a real push from the Selectmen to sell the loan to the public and that we really do need it.

M. Bronn noted that the cell tower shouldn't even be mentioned.

J. Dowdell is concerned about the capital projects – if the cell tower doesn't cell (based on his recent research of cell towers selling – they are going by the wayside) – he's concerned about a 10 year note on capital projects and items that will not last 10 years.

A lengthy discussion continued regarding the “life” of items.

J. Huk noted that there will be things that will still come up that we will need next year. He asked if we are hitting everything with this amount noting that we will be facing the same problem with an additional payment of \$123,000.

M. Gomes explained that Beacon Falls is in a good position as far as debt service. They currently don't have any long term debt. He also noted that off the top of his head, the fire department will ask for a new truck next year, new roof, etc.

A lengthy discussion continued.

J. Levine suggested that maybe a lease on items that wouldn't have a longer term life – maybe you don't put them in the package but do a 3 year lease.

It was noted that the note can't be broken out – in this case, you would need 2 notes.

J. Levine noted that the cell tower seems to be solving all the problems.

A discussion continued.

J. Levine noted that he thinks this is a terrific idea and supports it. He explained that he did recommend going from \$100,000 to \$80,000 in contingency. He noted that if they go to \$100,000 in contingency, it would be easier to cut back to \$80,000 if need be.

M. Gomes noted that if this fails, they can lease some software – a lengthy discussion continued regarding the accounting software.

A discussion took place regarding a 10 year, 7 year and 5 year note – it was noted that the interest rate on a 5 year note is 1.6%, 10 year is 2.2% - it jumps after 5 years.

J. Dowdell noted that he would prefer a 7 year loan.

It was noted that this impacts next year's budget not this year.

M. Gomes explained that if this passes, you can then discuss the terms.

A 5 year loan = \$230,000

10 year = \$123,000

7 year = \$170,000

A lengthy discussion continued noting that a loan is secured by assets.

It was noted that we haven't talked about region 16 yet.

J. Huk noted that we are going to be in the same position next year.

It was noted that the roads haven't been discussed yet either.

G. Smith noted that he is trying to address issues that have been tried to be implemented over the last 4 years.

J. Huk wanted to be sure we could re-do the loan every year if so he thinks this is a good idea although he would also prefer to see a 7 year loan also noting that we will have the same issues next year.

It was noted that they are definitely not solving all the problems with this proposal.

A lengthy discussion continued regarding the cell tower and G. Smith noted that he thinks it's going to move quicker.

M. Bronn noted again that he doesn't think the cell tower should be considered/discussed.

J. Levine asked what the increase per household would be (approximately \$120 - \$130 per \$200,000 household)

M. Bronn motioned to rescind the motion made on 3/27/12 of presenting a budget in the amount of \$6,206,037 to the town at a public hearing. R. Doiron 2nd the motion. All voted aye.

M. Bronn motioned to bring the municipal budget in the amount of \$6,024,037 to the town at a public hearing scheduled for April 10, 2012 at 7:00 P.M. at the Beacon Falls Fire House. J. Levine 2nd the motion. All voted aye.

A lengthy discussion continued regarding region 16 noting that the region 16 hearing is scheduled for April 11, 2012.

It was noted that the referendum date will be set the night of the public hearing.

C. Bielik noted that if we can get the vote done in the month of April, we will be in good shape.

G. Smith noted that if they have positive feedback at the Public Hearing, they should go for a town meeting for a vote. If they do not receive positive feedback they should consider a referendum.

M. Bronn motioned to adjourn the meeting at 7:49 P.J. R. Doiron 2nd the motion. All voted aye.

Meeting was adjourned at 7:49 P.M.

Respectfully Submitted,

Lauren Classey

Clerk for the Board of Finance and Board of Selectmen