

The **Board of Finance** held a special meeting on Thursday, February 17, 2011 in the Council Chambers, 3 Primrose Street, Newtown, CT. John Kortze called the meeting to order at 7:03 p.m.

PRESENT: John Kortze, James Gaston, Joseph Kearney, Harry Waterbury and Michael Portnoy.

ABSENT: Martin Gersten.

ALSO PRESENT: First Selectman E. Patricia Llodra, Finance Director Robert Tait, Board of Education Chairman Bill Hart, Public Works Director Fred Hurley, Assistant Superintendent of Schools Linda Gejda, Director of Business Ron Bienkowski, Chief of Police Michael Kehoe, Capt. Joe Rios (7:30pm), Superintendent of Schools Dr. Janet Robinson (8:15pm), twenty members of the public and two members of the press.

COMMUNICATIONS: Mr. Kortze explained the first portion of the meeting is for public comment followed by a joint presentation on the Board of Education, Board of Selectman budget. The Selectman budget will then be discussed in detail. There will be one additional night for the Selectman budget and two additional nights for the Board of Education ending with one final meeting to complete the Board of Finance budget process.

UNFINISHED BUSINESS:

Discussion and possible action:

- 1. Referral of CIP:** The CIP (Att. A) and Middle School Roof project savings (Att. B) were distributed by Mr. Tait. The chart reflects everything current with the savings including the new bond issue and moving Hook & Ladder out. Mr. Gaston moved to respond to the Legislative Council and present the CIP as presented in Att. A. Mr. Kortze will draft individual responses to the questions asked explaining the rationale. Mr. Waterbury seconded. All in favor.
- 2. Transfer:** Mr. Gaston moved the following transfers: \$6,000 from 01500-4061 Cont. Drainage to 01515-1003 Overtime and \$38,000 from 01500-4061 Cont. Drainage to 01515-4025 Cont. Serv. Mr. Waterbury seconded. All in favor.

NEW BUSINESS

Discussion and possible action:

- 1. Public Comment on the Proposed 2011-2012 Town of Newtown Budget:** *Robin Fitzgerald, 24 Old Farm Hill Road* said it has been surprising and encouraging to see our town and school officials working together to come up with creative ways to use our scarce tax money in the best and most cost effective way. She implored the Board of Finance to get on board with that mindset so that an acceptable budget can be passed. There have been compromises in spending on both budgets. She asked that the budget be passed to the Legislative Council in tact so they can send it to the voters in tact.
Joseph Borst, 10 Beechwood Drive, Sandy Hook said he is concerned that the Board of Selectmen eliminated contributions to Amos House, Literacy Volunteers, Shelter of the Cross and WeCAHR for a total of \$7,500. There are people in Newtown that take advantage of those programs. We don't want to disenfranchise some of the citizens of Newtown over this small amount of money.
- 2. BOE & BOS Joint Summary Overview and Presentation of 2011-2012 Budget:** First Selectman Llodra thanked the Board of Finance for accepting a different approach in the introduction of the budget this year. There has been significant increase in the collaboration between the staff and the leaders of the municipal and educational areas. There has been a realization that although the work is very separate it is the combination of those efforts that will lead to the success of Newtown as a community; the cost for the town can be best managed by working together. Singular efforts are much

less productive than common efforts. The collaborative effort includes Dr. Robinson, Ron Bienkowski, Robert Tait and First Selectman Llodra. The common vision is committed to maintaining the quality of services and continued respect for the tax payer. First Selectman Llodra, Bill Hart and Bob Tait presented a power point of the 2011-2012 proposed budget (Att. C). There will be an update in medical and heating oil numbers by Feb. 28th. First Selectman Llodra also spoke of six areas of the budget that represent increased costs (Att. D).

3. **Selectman Budget Presentation:** First Selectman Llodra noted four new items in the Board of Selectman budget. A line for Sustainable Energy Commission in the amount of \$5,000 has been added to support their ongoing efforts and to support their initiative. The Economic Development Commission has identified additional staffing as their number one need. The Board of Selectmen added \$5,000 to their budget to help with a part time person. SHOP was funded for \$1,500 to help with the management and care of the Sandy Hook streetscape. United States Geologic Services was funded under the Land Use budget for \$25,000 to continue to monitor the Pootatuck River by the use of stream gauges. Mr. Portnoy said it was very refreshing to see everyone working together and asked if there is anything in the budget that can be discontinued or combined to save money. First Selectman Llodra said that an RFP process was just completed for an organizational analysis, a joint effort between the town and education side to identify some service areas such as financial services, human resources and facilities management where we might benefit by finding areas that can be consolidated or collapsed. Mr. Hart reported the facilities analysis should be complete by May. First Selectman Llodra noted the town is looking at regionalizing Dispatch and Communications; discussions are in the beginning stages. Mr. Waterbury questioned intergovernmental area of the budget. Mr. Tait said that the figures are either known or came from the Governors budget. Mr. Gaston had questions on the Police budget. Chief Kehoe talked about the cars, officers assigned to the cars and the mileage. There are currently 42 active police officers; the current budget is for 46 police officers. Mr. Gaston would like to know the overtime cost per loss of a police officer compared to hiring four full time officers. Chief Kehoe said it costs much more to backfill with overtime officers. The Police Commission would decide what kind of services would be cut back if the positions weren't filled, but Chief Kehoe said it could be a reduction in school resource officers or traffic unit officers. Chief Kehoe would like cameras in all front line cars. The cameras can be moved to new cars. The Police Commission feels comfortable asking for a 46 police officers because of the community requests for a traffic unit and school resource officers. If all goes according to plan three officers will be hired in April and fully independent by November. Mr. Waterbury asked for the amount the First Selectman Llodra and Mr. Tait cut from the department requests prior to presenting to the Board of Finance. First Selectman Llodra said very little trimming needed to be done because they were very clear at the outset with the departments that there would be no new programs, no new personnel and a required justification of costs. Capital Non-Recurring includes \$50,000 for the DPW Sweeper, \$50,000 for the fire equipment and \$100,000 for the revaluation. Roads and bridges were funded at \$2,000,000 for a couple of years and then it started to drop. Last year bridges were moved into the CIP with a schedule of work to be done. ARRA money in the amount of \$600,000 was used for road repair to Castle Hill/Castle Meadow. The perception was the resources were being inflated when in fact the ARRA money needed to be replaced. There is \$1,000,000 in capital roads and \$300,000 in the CIP for bridges. The Lakeview Survey is needed in order to bring the roads into the public road system. The project to correct the drainage issue and upgrade the roads will likely take ten to fifteen years. Mr. Tait reported no money would be added from the general fund. The assumed wage increase was reduced to 4% and the rate of return was lowered by 25 basis points relative to the pension. There was further discussion on the Sustainable Energy Commission and grants available through the State and the Federal governments. Mr. Kortze asked for a list of anything that wasn't in the original budget as presented but was spent. Mr. Tait said the health consultant will be at the next

meeting. There will be a report on the utilities, what was budgeted, what it is now and what adjustments can be made. First Selectman Llodra said that any increase will be absorbed. Mr. Hurley said some of the snow removal work was subcontracted. He said that the Department of Public Works worked together with Parks & Recreation, the Police Department, the Dispatchers, the maintenance people from the Board of Education and the custodians in a unified effort during the snow storms. First Selectman Llodra said that there is a contract with Prestige for snow removal on the sidewalks and the landscaping at the Fairfield Hills Campus. That contract will be moved from the Fairfield Hills Management Company to Parks & Recreation. The security contract will be managed by the Chief and Captain of Police. The engineer house will transition to a police substation. Maria DeMarco and staff have moved to the Municipal Center. The direct on sight service of the management company has been cut in half. The goal is for 100% campus management by town organizations within one year.

ANNOUNCEMENTS: none.

ADJOURNMENT:

Having no further business, the Board of Finance adjourned their regular meeting at 9:38p.m.

Respectfully Submitted,

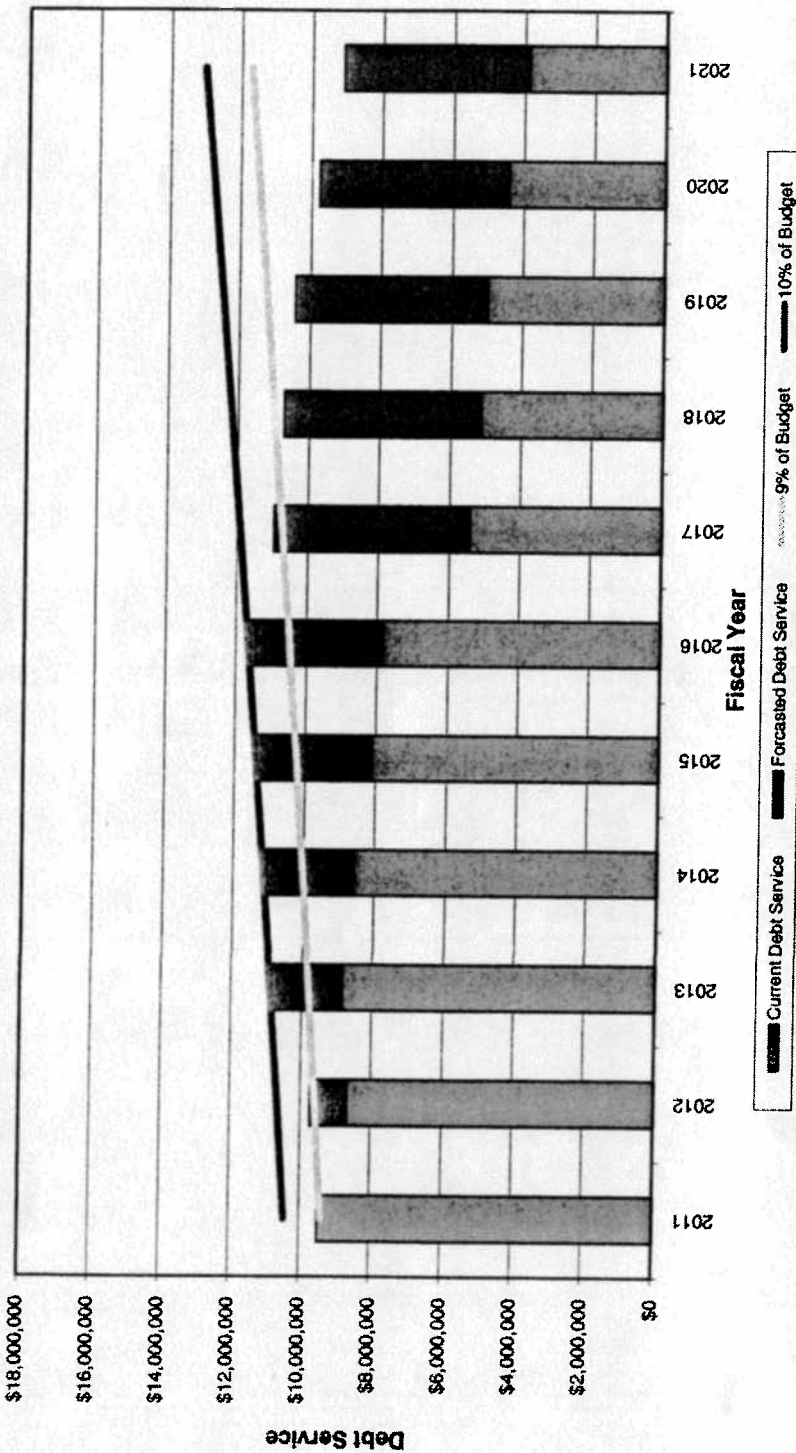


Susan Marcinek, Clerk

- Att. A: CIP & effect on debt service
- Att. B: Middle School Roof project savings
- Att. C: TON 2011-2012 Proposed Budget
- Att. D: Overview of Selectman 2.72% budget increase

ASSUMING A 2.24% BUDGET INCREASE (A COMBINATION OF INCREASE IN GRAND LIST AND INCREASE IN MILL RATE):

**TOWN OF NEWTOWN
2011 - 2012 CIP EFFECT ON FUTURE DEBT SERVICE (2.24% assumed budget increase)**



NEWTOWN MIDDLE SCHOOL ROOF REPLACEMENT

ESTIMATED COST - \$4,257,690

Reimbursement Rates:

2009-2010 - 32.50%

2010-2011 - 31.79%

AMOUNT APPROPRIATED



CIP Plan - Net Cost of \$3,500,000


1. Reimbursement @ 32.50% = \$1,383,749

2. Reimbursement @ 31.79% = \$1,353,520

1. Net Cost = \$2,873,941

2. Net Cost = \$2,904,170

NET AMOUNT IN 2010-11 CIP
= \$3,500,000



ESTIMATED COST PER ARCHITECT = 2,000,000

Town of Newtown 2011-2012 Proposed Budget

The Town Budget

- A different approach to budget development:
 - Increased collaboration between Municipal and Education
 - Greater sharing of materials and information
 - On-going consultation and planning especially in cost centers we have in common
 - “Same Services” budget development
 - Costs for Town can be best managed by working together

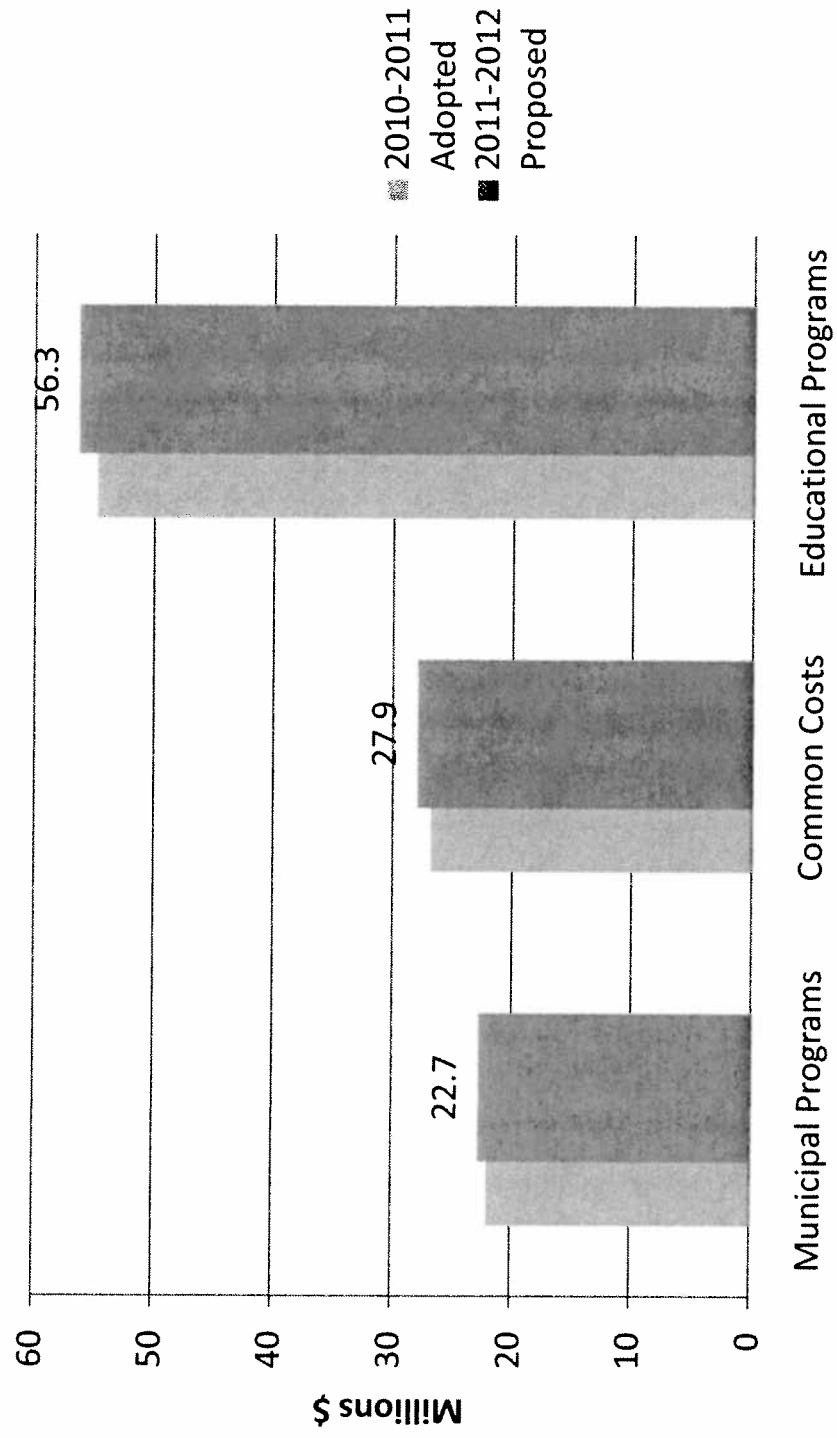
“Same Services” Budget Development

- “Same Services” (status quo)
 - Continuation of existing program or service
 - Adjusted for:
 - Cost inflation/deflation
 - Mandates
 - Changes in need (i.e. enrollment)
- New programs separated from core budget
- Provides a better tool for analysis

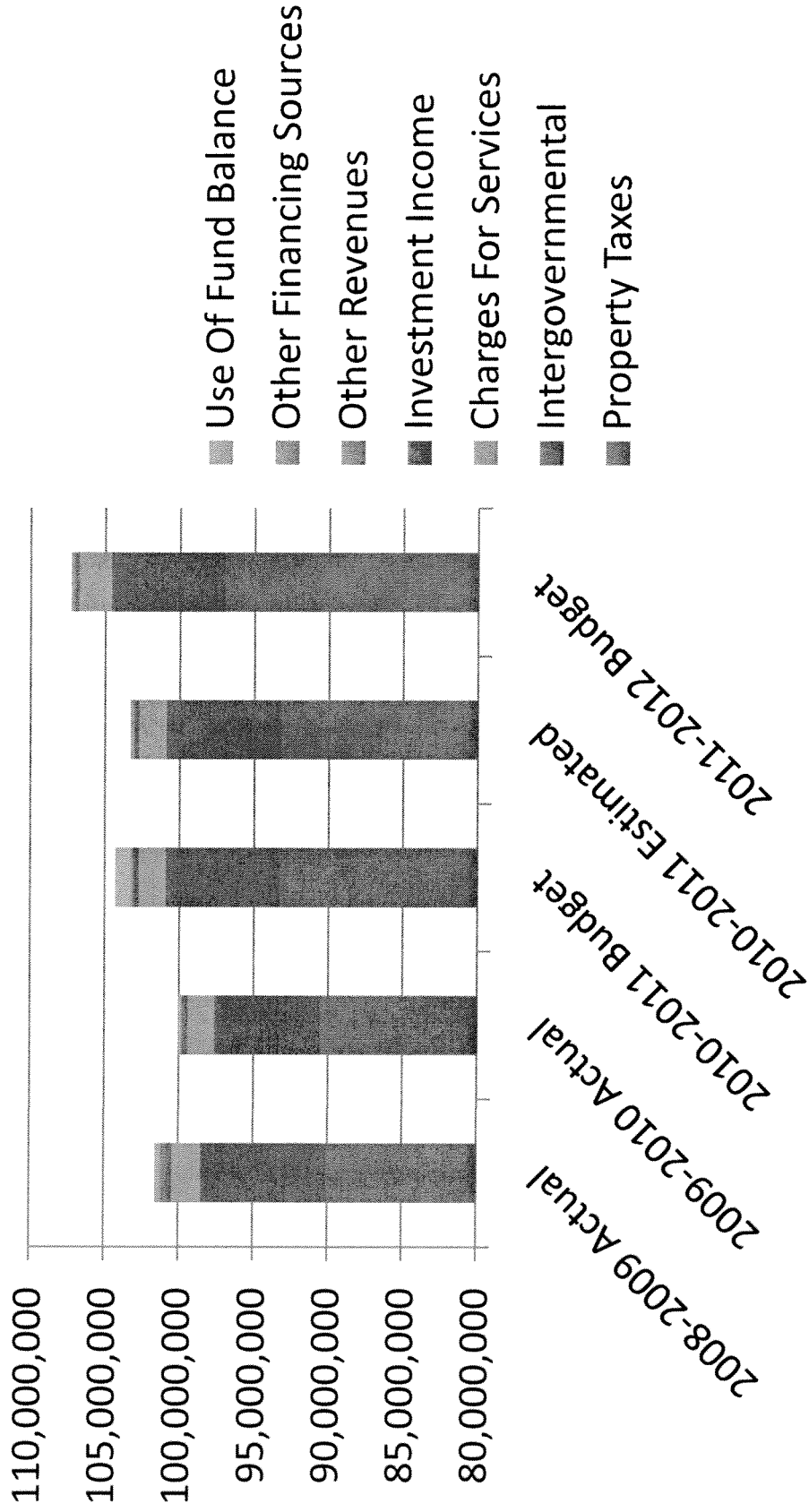
Common Drivers/Vision

- Our common vision:
 - Maintain the quality of services that help to make Newtown an excellent community
 - Continue respect for the tax payer
- Our community's core values:
 - Education
 - Public Safety
 - Public Works
 - Health & Welfare
 - Parks & Recreation

Expense Breakdown



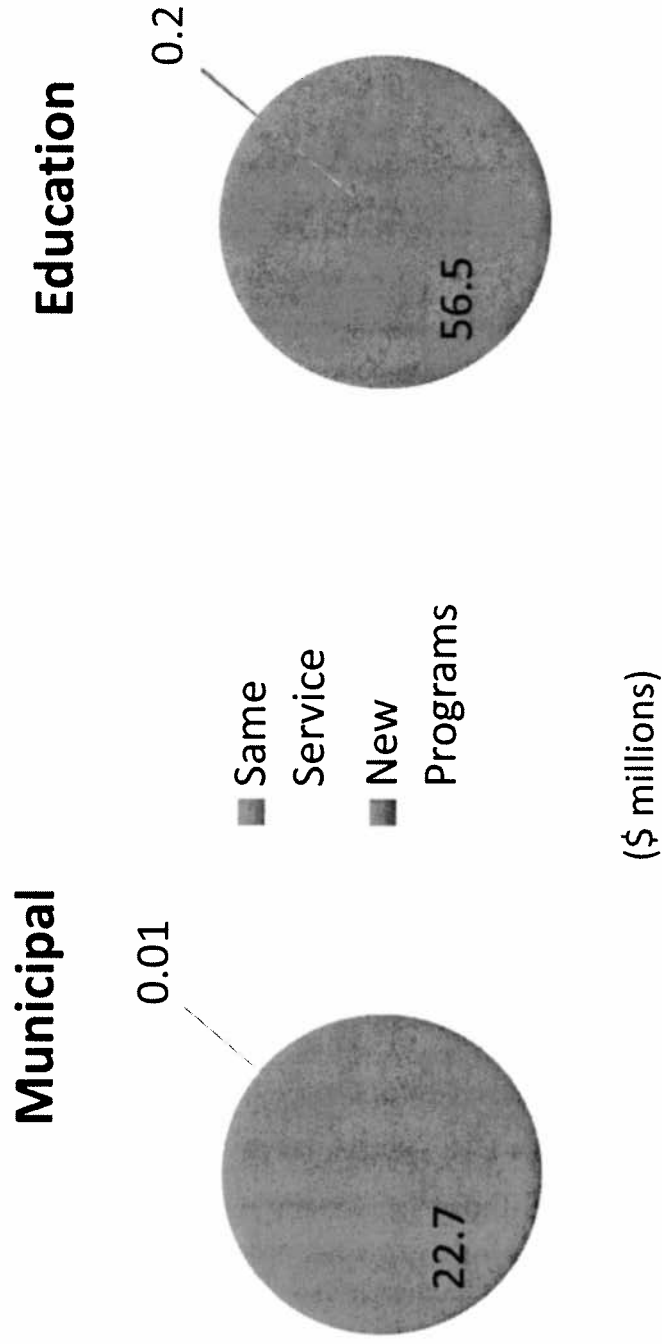
Revenue



Revenues

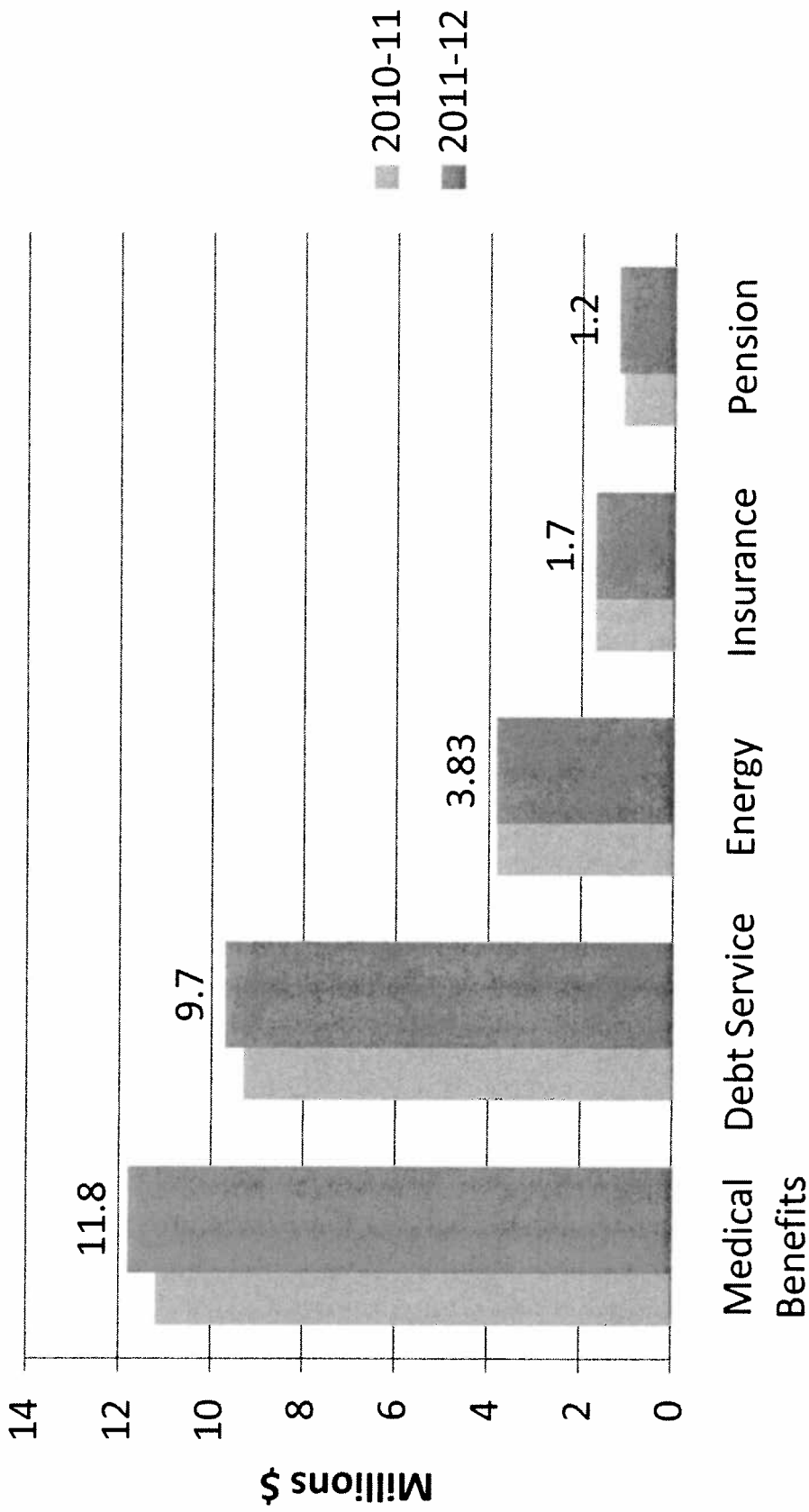
	2008-2009 Actual	2009-2010 Actual	2010-2011 Budget	2010-2011 Estimated	2011-2012 Budget
Property Taxes	90,141,581	90,588,844	93,258,032	93,218,032	96,985,523
Intergovernmental	8,381,124	7,032,098	7,671,977	7,649,983	7,577,388
Charges For Services	1,928,758	1,809,776	1,804,106	1,893,162	2,209,913
Investment Income	712,430	366,060	400,000	300,000	300,000
Other Revenues	95,471	99,303	150,500	237,902	226,350
Other Financing Sources	303,824	-	-	-	-
Use Of Fund Balance			1,000,000		
Total Revenues & Other Financing Sources	101,563,187	99,896,081	104,284,615	103,299,079	107,299,174

Core and New Programs



- BOS and BOE both felt focus should be on core effort.

Common Costs



Common Costs

- Cost Drivers
 - Inflation in health & energy
 - Insurance
 - Debt expenses
- Mitigation Efforts
 - Ongoing efforts in each cost area to mitigate inflation

Medical Benefits

2010-2011 Adopted		2011-2012 Proposed	
Municipal	\$2,984,000	\$3,125,000	
Education	\$8,198,000	\$8,721,000	
Total Medical:	\$11,182,000	\$11,846,000	
% of Total Budget:	10.7%	11.0%	

- Self-Insurance Fund
- One benefits consultant
- Ordinance for fund oversight
- Premium increase of 4% compared to 10% typical
- *Future: RFP for service provider; Pharmacy consortia; Wellness programs*

Debt Service

2010-2011 Adopted			2011-2012 Proposed		
Municipal	\$4,456,000		\$4,450,000		
Education	\$4,828,000		\$5,225,000		
Total Debt Service:	\$9,284,000		\$9,675,000		
% of Total Budget:	8.9%		9.0%		

- Joint planning for annual CIP development
- Debt cap as controlling principle
- Scaffolding projects to control impacts and allow for reconsideration
- *Future: reducing debt cap to 9%; more plan-full use of capital non-recurring*

Energy

2010-2011 Adopted			2011-2012 Proposed		
Municipal	\$892,000		\$848,000		
Education	\$2,565,000		\$2,628,000		
Total Energy:	\$3,827,000		\$3,833,000		
% of Total Budget:	3.7%		3.6%		

- Aggressive pursuit of best unit costs through consortia
- Collaboration in heating oil, natural gas, gasoline, diesel
- Consumption reduction initiatives
- *Future: energy audit*

Insurance

	2010-2011 Adopted	2011-2012 Proposed
Municipal	\$908,000	\$893,000
Education	\$815,000	\$788,000
Total Insurance:	\$1,723,000	\$1,681,000
% of Total Budget:	1.6%	1.6%

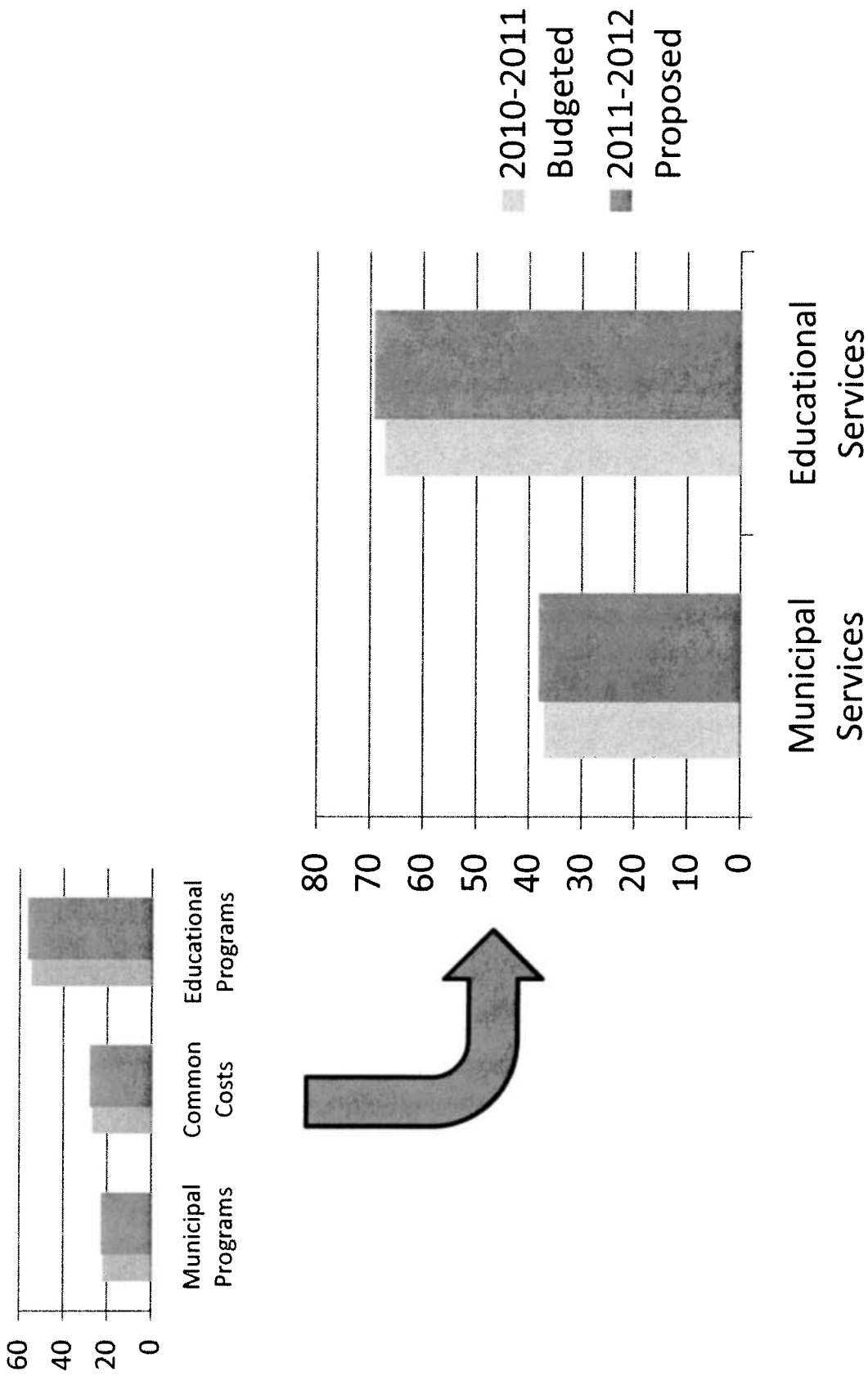
- Includes Worker's Compensation and General Liability Insurance
- Collaborated with provider to ease impact of a potential 15% increase
- Implementing a joint strategic plan to reduce claims

Pension

2010-2011 Adopted		2011-2012 Proposed	
Municipal	\$767,000	\$816,000	
Education	\$357,000	\$386,000	
Total Pension:	\$1,124,000	\$1,202,000	
% of Total Budget:	1.1%	1.1%	

- Recalibration of rate of return and wage assumptions
- *Future: focused effort to move from a defined benefit to a defined contribution plan*
- Note: Does not include teachers and school administrators, who contribute to the state TRB pension system.

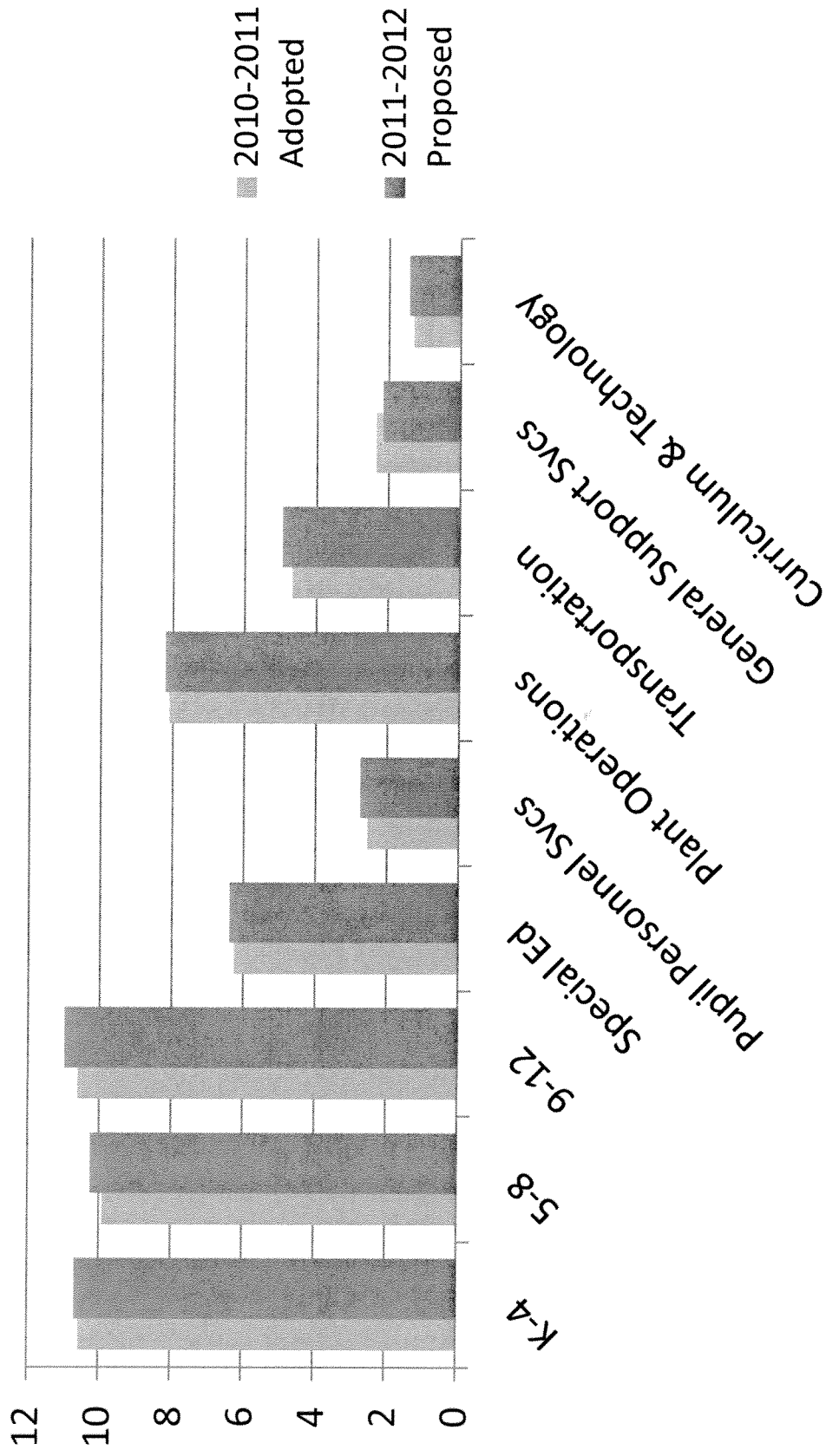
Traditional Budget Presentation



Educational Programs

- What is behind the increase of \$2,006,283 (2.99%)?
 - Contracted salary increases:
 - 1.9% average salary increase constitutes 40% of overall increase
 - Employee Benefits
 - 28% of overall increase
 - Special Ed Related Expenses
 - 18% of overall increase
 - (Transportation, Professional Services)
- What's New?
 - High School

Educational Programs



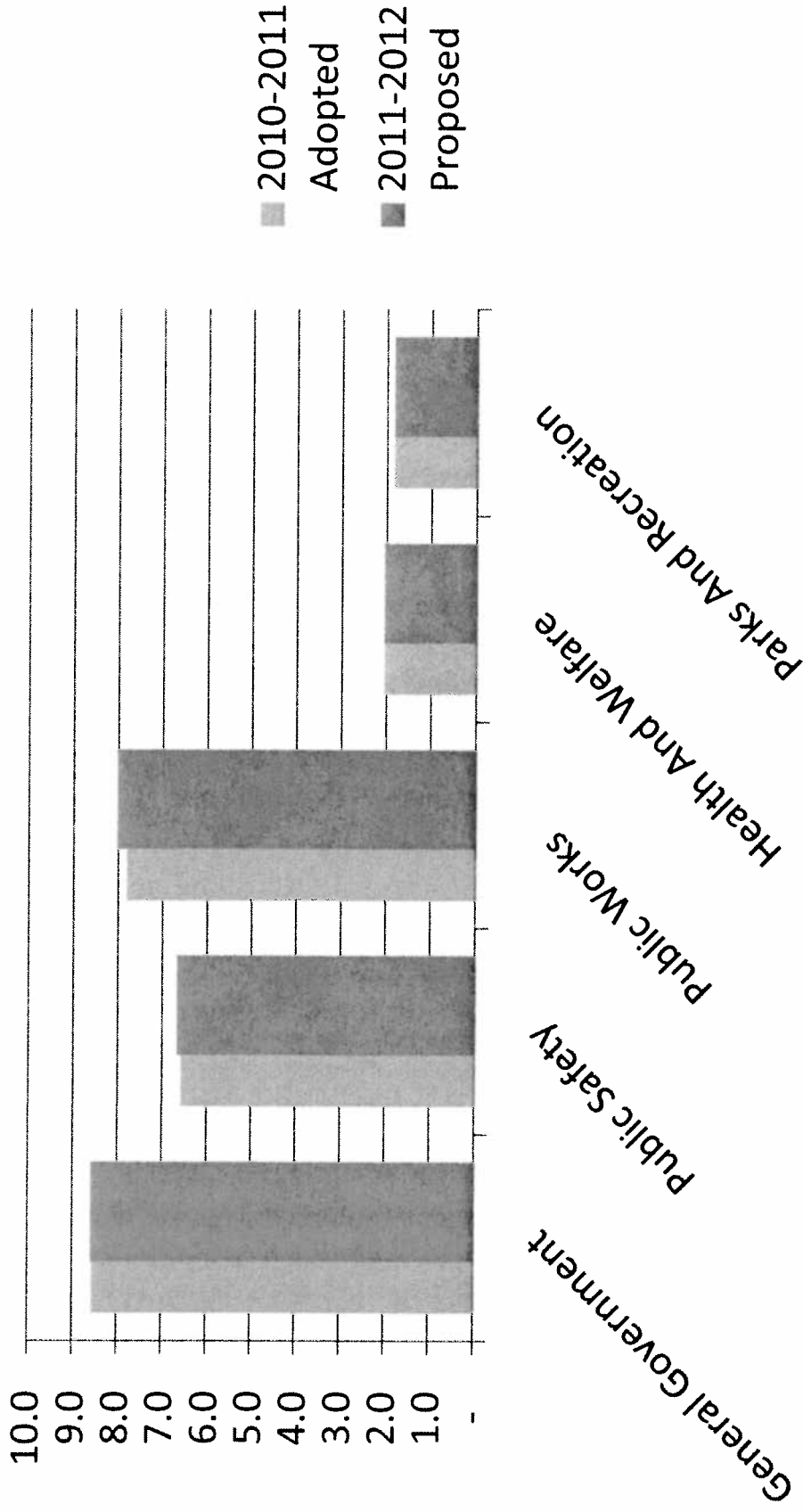
Educational Programs

- Initiatives
 - Superintendent recommend for additional programs:
 - Increase High School Staffing: \$350,000
 - Full Day Kindergarten: \$319,000
 - Long Term Maintenance \$573,000
 - Technology Equipment Needs \$150,000
 - BOE elected to incorporate only:
 - Increased High School Staffing: \$180,000

Municipal Programs

- Drivers:
 - What’s behind the increase of \$1,008,276 (2.72%)
 - Debt Service Medical benefits Pension
 - Public Safety Public Works Other Financing
 - What are the major cost centers?
 - Public Works Public Safety Parks and Recreation Health and Human Services
- What’s New?
 - Sustainable Energy
 - EDC
 - District fund
 - USGS

Municipal Programs



Conclusion

- Thank you for an opportunity to present an holistic view
- Next we welcome rigorous BOF review
- BOS & BOE will continue to sharpen our numbers
 - Expect update on energy and health by 2/28.

The Board of Selectmen proposed budget for the Town of Newtown municipal services for 2011-2012 reflects an overall increase of 2.72% from the level of funding approved for fiscal year 2010-2011. In dollar terms, that 2.72% represents \$1,008,276.

The \$1,008,276 requested increase can be broken down into the following categories:

1. Debt Service – increase of \$390,539. Additional bonding mostly due to HS addition.
2. Other Financing – increase of \$225,000. Planned use of the Capital Non-Recurring Fund to save for purchase of a sweeper (over 5 years); purchase of fire equipment planned in the CIP; part of the cost of town-wide assessments revaluation scheduled for 2012.
3. Public Works – increase of \$193,366. Increases in Public Works budget generally attributable to the following: repairs up \$40,000 for aging fleet requiring more repairs; overlays up \$61,000 for efforts to extend the life of roads; Salt up \$75,000 which reflects cost of average annual use of 3,400 tons of treated salt; landfill up \$36,000 which reflects increased cost for contracted services. Note: PW budget does include \$50,000 to do the Lakeview survey.
4. Public Safety – Increase of \$91,196 due to police wage and step increases previously negotiated.
5. Employee Medical Benefits – increase of \$78,122. This represents the medical cost inflation off-set by a change to less expensive policy and increase in employee contributions.
6. Pension – increase of \$48,285. Contribution level reflects downturn in rate of return on investments.

The list above shows that 4 of the 6 areas seeking substantial increases are essentially non-discretionary. The other two areas: Capital Non-Recurring and Public Works, reflect a funding approach that I believe serves the best short and long-term interests of the community. Prudent use of the Capital Non-Recurring account helps us save for known future capital expenses and spreads those costs over time. In Public Works, increasing the funds for overlays allows us to extend the life of roads and better manage the cost impact of capital road repair. The Lakeview survey is the first step in a multi-year approach to upgrade those roads, and ultimately reduce the time and materials costs to maintain these roads in their current state.

Significant efforts have been put forth by all departments to hold costs at current levels and/or to find ways to reduce costs. Commodities contracts are reviewed annually with vigorous pursuit of the best prices; employee bargaining units have agreed to a change in the medical benefits plan and an increased cost share. Requests for additional personnel and equipment are deferred. Requests for increases in funding are offset whenever possible by reductions or efficiencies in other areas.