

The Board of Finance held a special meeting in the Council Chamber of the Newtown Municipal Center, 3 Primrose Street, on Tuesday, March 8, 2011. Mr. Kortze called the meeting to order at 7:10pm

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

ABSENT: Martin Gersten

ALSO PRESENT: First Selectman E. Patricia Llodra, Finance Director Robert Tait, Board of Education Chairman William Hart, Board of Education members Keith Alexander, Debbie Leidlein, David Nanavaty and Richard Gaines, Superintendent of Schools Dr. Janet Robinson, Assistant Superintendent of Schools Linda Gejda, Director of Business Ron Bienkowski, approximately thirty members of the public and three members of the press.

VOTER COMMENTS: George Schmidt, 12 Old Castle Drive, said the budget process has been fairly calm and civil. That is a benefit to civility in Newtown but he is not sure it is not a detriment to the tax payer. We are looking at a 2.5%, last year there was a 2% increase. The average increase since 1995 is about 4.5% in property taxes. If we can't hold the line at an increase of property tax this year given the economic climate we have endured over the last several years he doesn't know when it will ever be possible to hold the line. The young will not be able to come here and the old will be priced out of the homes they've lived in.

COMMUNICATIONS: First Selectman Llodra explained that there are two levels of pay for police officers that work beyond their normal shifts, overtime and private duty. Officers working town events, such as basketball games are paid overtime, which is the lesser of the two rates and there is no administrative fee. First Selectman Llodra stated that she has a copy of the article that sited Newtown High School as receiving a good score in efficiency. She also shared that discussion on reducing the debt cap from 10% to 9%, as well as fund balance discussion, has been completed at the Board of Selectman level and can be discussed at the next regular Board of Finance meeting.

NEW BUSINESS

Discussion and Possible Action:

1. Board of Education 2011-2012 Budget: Mr. Portnoy asked for review on the self insurance plan. Mr. Tait said that Blue Cross Blue Shield uses historic data and trend factors. The estimated claims last year were \$12,000,000; that estimate is used to develop the budget contribution to the self insurance fund. It looks like claims will come in at \$10,500,000 giving us an estimated fund balance of \$1,500,000 at fiscal year end. Mr. Tait figured an average from the last five months claims, extended that average to forecast the next five months of claims and multiplied by six. Adding the claims administration fee (which includes stop loss) from BCBS the total expenses are \$11,300,000 for this fiscal year. The medical self insurance fund estimated experience for this fiscal year includes seven months of actual experience plus Mr. Tait's estimate. Revenues come from employee contributions, other contributions from retirees and outside agency contribution and will total \$13,100,000 building into the self insurance fund. BCBS recommended a gross contribution for next year of \$13,200,000. Mr. Tait took the \$10,500,000 claims experience from this year and multiplied it by 10% and added the fees and came up with \$12,800,000. The medical consultant said that BCBS is based on 18 months of claims; for every month there is no inflation in our cost we gain 4% of claims. A \$3,000,000 reserve should be accomplished within five years.

Mr. Kortze asked if it is possible to have the high school athletic budget broken down by sport. Mr. Bienkowski said they don't keep track by sport, a spreadsheet would have to be created by going back to look at all the invoices to recreate the expenditures. Dr. Robinson said many years ago there was an agreement, because

hockey was too expensive to put in the budget, that the Board of Education would assist in terms of facilities and paying for a coach. There was a handshake agreement and currently we pay for the officials but it is too expensive a sport to take on. Mr. Hart said he could provide a breakdown of coaching costs. Dr. Robinson said there is one athletic trainer available. The trainer is available at the school; it is more a matter of timing rather than designating a sport.

Mr. Kortze confirmed with Dr. Robinson that there was a net of two full time reductions at the elementary school level and 4.94 people were added after the current budget was passed. Mr. Kortze asked if the position advertised for the central office is to fill a vacancy. Dr. Robinson stated that it is not a vacancy. The position is to compensate for the loss of a senior bookkeeper with a lower level bookkeeper. She reported last year two central office positions were taken out but the full salary was not taken out; a small amount was left in to allow for a junior position to make up for the work load. Mr. Kortze referred to BOE minutes of 2/4/10 reading that the board moved to put back in the transportation director but remove \$100,000 from the central office staff budget to be decided by the Superintendent on how it is applied. The transportation director salary of \$67,606 was added back in and the Superintendent was instructed to take out \$100,000 at her discretion, with a net reduction of \$32,000+. Mr. Hart said a column showing changes made during the year will be added along with a revised budget to go with the headcount.

Mr. Kearney addressed the board with observations. Looking back to 2002-2003 the combined budget increased from \$77,000,000 to the requested \$106,000,000 for an increase of 38%. The education budget increased from \$46,000,000 to the requested approximately \$69,000,000 for an increase of over 50% in those nine years. Inflation during that period was approximately 21.2%. The town growth was about 10% from 2000-2011 and appears to be flat or falling. The student population in 2002-2003, compared to the projection for next year, has grown about 2% but is projected to fall significantly over the next ten years. Unemployment stands about 9%. Mr. Kearney noted that the BOE budget has risen by over the twice the rate of inflation. Education staffing has grown from 673 full time employed in 2002-2003 to 721 now, a 7% increase at the same time the student population has increased 2%. Education salaries have increased 43%; benefits increased 89%, not including the pension costs. The town is trickier to judge because it included debt service and pension funds. He said the gap between the town and the BOE is widening and that is not a healthy situation for the town. Both budgets suffer from structural defects primarily related to staffing, benefits and pension obligations, appearing more acute in the education budget. He said the education budget continues to grow regardless of a rise and fall in inflation, unemployment and student population while he also recognizing there are unfunded mandates that have an impact on the budget. He believes the budgets are unsustainable with what we know now at the state and local level and need to be addressed soon. There will be a reevaluation next year and homes will decrease in value while the taxes will remain the same with a higher mill rate. If we can't make a real cut to the budget now we won't ever be able to.

Mr. Gaston observed that the CPI from New England is close to 3% in the last ten years. The per student cost has increased 4.5%; with 3% inflation there is a 1.5% difference. The fixed costs are coming from insurance, fuel and pension. There is not a lot of money going into improving the school system but going into the maintenance of the school system.

Mr. Portnoy said First Selectman Llodra and Mr. Hart have taken a more active role in cooperation and talking about issues, we are making strides. He is concerned about the way the towns and states have not been reacting to the economic realities of the time. He supports Mr. Kearney's comments and agrees with Mr. Schmidt who said that the elderly are getting forced out of town; it has to stop at some point.

Mr. Waterbury said he doesn't think it is correct for people to criticize the BOF for not scrutinizing the town side budget as much as the education budget. In his ten years on the board the Selectmen have made significant cuts to their budget each year, doing the scrutiny prior to the BOF having to. Department heads and the Superintendent make their requests and the Selectmen and Board of Education make sure they can

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afford the budget. This year the First Selectman, in conjunction with prior administrations, has done a good job modifying the request. The Board of Education has also done a good job and there was a good tone in the BOE minutes regarding cuts. He believes the state is a problem and worries about revenues but hopes that the significant things at the state level don't affect us this year. He tends to support the budget.

Mr. Kortze thinks it is a good budget and is comfortable supporting it as is. The collaboration has been great. There is a different level of candor between the Board of Selectmen and the Board of Education about issues that were unmovable in the past. Things are a lot clearer but there are still things that need to be accomplished. He sees very specific trends to which the town and BOE are discussing; he hopes the BOF will be part of that. He commented on per pupil spending saying that it is wielded as some type of embarrassment for the Town of Newtown and it shouldn't be. It is a gauge, a piece of puzzle to look at. It should not be talked about in a one dimensional tone but talked about as what additional money will get us and what the plan is. Adding a certain amount of money per student might move us up the chart but that notion is so singular in itself it makes no sense. He'd rather have the discussion about what the money does for us. He said that the town owes the Board of Selectmen and the First Selectman specifically a commendation because of the way she's looked at things differently; with the help of Mr. Hart and the Board of Education things were done differently and everybody is better because of it. He agrees with Mr. Kearney and his sound, logical commentary. However, he thinks it's more a discussion about enrollment, trends and space needs. The point shouldn't be lost on anybody but there has been structural change. The discussion needs to continue to address what's coming down the line. There has been a lot of room for difference of opinion this year, it has been constructive.

Mr. Gaston moved to the following actions. Mr. Waterbury seconded. All were in favor:

To reduce the Selectmen medical benefits, 01270-2001 by \$278,411.

To increase the Miscellaneous Benefits, 10270-2006 by \$5,000.

To increase the Equipment Fuel account, 01500-2016 by \$50,572.

To increase Interest, 01580-2002 by \$37,830 to reflect the bond sale results.

To increase Ability Beyond Disability, 01431-0000 by \$4,500.

To increase Newtown Labor Day Parade, 01442-0000 by \$5,000.

Mr. Gaston moved the bottom line of \$37,922,648 for the Selectmen budget. Mr. Waterbury seconded. Mr. Kearney said board has broken with protocol in the past and suggested a decreased dollar amount to the town allowing the Selectmen to decide where the reductions would be applied. Mr. Kearney moved to amend the motion by reducing the Board of Selectmen budget an additional \$55,000 for a total reduction of \$230,509,000. Mr. Portnoy seconded. Mr. Kearney stated he took debt service and pension out of last years budget and applied a 1.25% increase. He added back debt and pension to that new number resulting in \$37,866,075 against the revised budget of approximately \$37,933. Mr. Gaston has difficulty with the idea of abdicating line item responsibility. He thinks both are very tight budgets and would like to know where the additional \$55,000 reduction will come from. The motion failed with a 3-2 vote (NO: Gaston, Waterbury, Kortze), (YES: Kearney, Portnoy).

The motion on the floor to reduce the Board of Selectmen budget by \$175,509 for a bottom line of \$37,922,648 passed with a 3-2 vote. (YES: Gaston, Waterbury, Kortze), (NO: Kearney, Portnoy).

Mr. Gaston moved to instruct the Finance Director to make any clerical corrections. Mr. Waterbury seconded. All in favor.

Mr. Gaston moved to reduce the Board of Education budget by \$497,590 for a bottom line of \$68,703,427. Mr. Waterbury seconded. This is reflective of the insurance reduction of \$667,377 and the addition of \$99,787 for fuel and the addition of \$70,000 for the upcoming organizational analysis.

Mr. Kearney congratulated First Selectman Llodra and Mr. Hart for a good job with the budget but still believes that we are headed in the wrong direction, we should be slightly under the US published rate of inflation. His proposal would put us at a 1.5% budget increase. He took the last year BOE budget, increased it by 1.5%. Mr. Kearney moved to amend the motion by reducing the BOE budget by an additional \$650,000 for a total reduction of \$1,147,590 and a bottom line of \$68,053,427. Mr. Portnoy seconded. Mr. Gaston said the New England CPI has been averaging 2.9% which is close to the BOE request. Mr. Waterbury said he agrees with the philosophy but is not sure this is the year to make an additional cut. He is comfortable that the whole town realizes there are still problems; just because the BOF approves an increase this year doesn't mean it will be the same next year. Motion failed 3-2 (NO: Gaston, Waterbury, Kortze), (YES: Kearney, Portnoy).

Mr. Portnoy moved to amend the motion by reducing the BOE budget an additional \$280,299 for a bottom line of \$68,423,128. Mr. Kearney seconded. Mr. Portnoy said that in discussing the ECS at the 3/3/11 meeting, Mr. Hart said \$51,299 would be saved by estimating 80% instead of 75%. He figured the other \$229,000 could come out of elementary school salary and benefits, or four elementary positions. This reflects enrollment decreases and allows flexibility in the current class size guidelines. Mr. Gaston stated two teachers were already reduced at the elementary school level. The issue has already been addressed by the Superintendent and the Board of Education. Mr. Kearney said that Mr. Portnoy's rationale doesn't have to be applied; he is only recommending a number for the BOE. Mr. Bienkowski corrected Mr. Portnoy saying the \$51,299 is an added cost to the BOE, not a savings. When recalculating the ECS grant at 80% three more students were added; it's an additional expense. Mr. Portnoy stated he would stand behind his suggested reduction based on the fact that the BOF reduced almost ten times that from last years budget and still during the year additional personnel was added to the staff. Motion failed 3-2 (NO: Gaston, Waterbury, Kortze), (YES: Kearney, Portnoy).

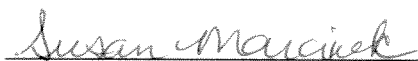
The motion on the floor to reduce the Board of Education budget \$497,590 for a bottom line of \$68,703,427 passed 3-2. (YES: Gaston, Waterbury, Kortze), (NO: Kearney, Portnoy).

Mr. Gaston moved the total Town of Newtown 2011-2012 budget in the amount of \$106,626,075. Mr. Waterbury seconded. All in favor.

Mr. Tait reported that the mill rate will be 24.64, which represents an effective tax increase of 2.68%.

ANNOUNCEMENTS: Mr. Kortze noted that he received two emails (Att. A & B), one from Ruby Johnson about reducing the bond limit and one from Judy Vetare on safety and cameras in the police cars.

ADJOURNMENT: Having no further business the Board of Finance adjourned their special meeting at 8:42pm.



Susan Marcinek, Clerk

Att. A: Ruby Johnson email

Att. B: Judy Vetare email

Kortze, John

From: R Johnson
Sent: Wednesday, February 23, 2011 9:52 PM
To: John Kortze
Subject: concerns

I won't be able to attend the Bd of Finance meeting Thursday night, Feb. 24th. I wanted to express several concerns that were briefly discussed at a Board of Selectman meeting.

Fund Balance: Mrs.. Llodra did explain the Fund Balance and some changes under consideration. I don't think many people are paying attention, but I think it would be helpful if you would communicate with the public to explain what it is, why it exists, and the changes you are proposing.

Reducing bonding limit below 10%: The town has delayed many projects for various reasons, but the result is a long list of construction projects. I understand the desire to have a better financial rating for borrowing to obtain a lower interest rate. May I suggest you help the public to understand the impact of reduced borrowing and the positive results.

I'm sure Mr. Tait could calculate the cost of borrowing for the various capital improvement plans the First Selectman has proposed for the next 5 years, and then calculate the savings for this borrowing if the cap for borrowing was less than 10%. Mrs. Llodra explained a possible scale of gradually lowering the cap to perhaps 9.9 % the first year, 9.8% the second year and so on.

Next, we would need to know to what extent inflation might drive up the costs of each project as it is moved farther out in years. Cost plus impact on the quality of life would be helpful.

You have a difficult task. Thanks for serving.

Judy,
Thank you for your note and the time you took in writing it.
Public input is always very helpful and much appreciated. I will add it to correspondence and present at our meeting.

Thanks again,

John

From: vetarej@charter.net [mailto:vetarej@charter.net]
Sent: Tuesday, March 08, 2011 9:36 AM
To: Kortze, John
Subject: Good morning

Mr Kortze and board,

Sorry I could not attend tonights meeting, so I hope it's ok that I email you.

My main concern in this beautiful town is safety and seeing that the economy is getting worse, the crime will increase, nobody can denied that, it's reality.

Buying cameras for the police cars is definitely the right step in keeping us safe from a lot of law suites, nobody wants to receive a ticket, they will lie to do what ever it takes to get out of it.

Crime is coming we no longer can escape it, so lets be proactive and prevent our beautiful towns reputation from being tarnished.

Let's promote a caring community here in our town.

Mrs Judy Vetare