

The **Board of Finance** held a regular meeting on Monday, June 13, 2011 in the Council Chambers, 3 Primrose Street, Newtown, CT. John Kortze called the meeting to order at 7:35 p.m.

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

**ALSO PRESENT:** First Selectman E. Patricia Llodra, Finance Director Robert Tait, Director of Economic Development Elizabeth Stocker, Economic Development Commission member Don Sharpe, Advanced Fusion Systems Chairman & CEO Dr. William Joyce, Advanced Fusion Treasurer Robert Powell, former EDC Chairman Robert Rau, three members of the public and two members of the press.

**VOTER COMMENTS:** none.

**COMMUNICATIONS:** Mr. Kortze shared an email regarding the minimum balance requirement between himself and George Schmidt (Att. A). An email regarding the Stratford Downgraded by Moody's (Att. B) was noted. Mr. Kortze reported he met with Blum Shapiro on the organizational analysis. They are looking into Finance, Human Resources and Maintenance. He articulated that it is very important to have one source of information, to centralize data. He suggested Blum Shapiro observe boards for a different prospective.

**MINUTES:** Mr. Gersten moved the acceptance of the minutes of 5/26/11. Mr. Gaston seconded. All in favor. Mr. Gaston moved the acceptance of the minutes of 6/7/11. Mr. Gersten seconded. All in favor.

**FIRST SELECTMAN REPORT:** We are close to closing the deal with East Haven in the sale of the portables. East Haven will be responsible for removing the portables (four doubles, eight classrooms). Mr. Portnoy asked why we are selling and if we considered waiting on the facility study. First Selectman Llodra said there is a \$90,000 cost to de-construct and store them. There is little confidence that after storing over a couple of years and reconstructing there would be a product that is worthwhile and may not meet code. If there was a quick turnaround for use it would've been looked at differently. Mr. Gersten noted they have been waiting for two years for the Board of Education to do an analysis as to what, if any, facilities can be closed or consolidated. We are now looking at spending \$5 million on the roof. The issue of facilities as a budgetary tool, unless the state changes its rule, is going to be critical. First Selectman Llodra said that in conversations with Bill Hart the analysis of the option of closing the Middle School is very incomplete. Another option is a closing of an elementary school and redistricting. It is time for the Board of Finance or Legislative Council to request a status report on the analysis.

Mr. Kortze asked for an understanding on the \$150,000 unspent town and education funds. (Att. C) He said that the returned money would be moved to the capital non-recurring account that would require an action by the Board of Finance and the Legislative Council; it would be harbored there until the need was identified, a special appropriation could be requested and there would be a better understanding what the \$150,000 would be used for. The Board of Finance approved this based on that understanding. The expenditures did not physically lapse. Before fiscal year end the Finance Director analyzes the purchase orders to see if they need to be closed or if they are going to be used; the ones that are valid are carried forward. First Selectman Llodra explained that because no specific action was taken relative to the Board of Education surplus the Finance Director identified open purchase orders that were no longer valid. It is a management prerogative, and not an uncommon practice, to re-purpose the purchase orders. The difference is that this amount is sizable and the concept it is intending to support is to provide a reserve fund for Board of Education purposes at some point separate from right now. The First Selectman and

the Finance Director want to route it through the right agencies to be transparent, clear and with an identified purpose. The auditor suggested a resolution from the Legislative Council. Mr. Gersten said that instead of following the process the Board of Finance adopted, putting the money in the general fund and asking for an appropriation request from the Board of Education, it is now warehoused in the form of an open purchase order instead of going into a fund that requires the Board of Finance conduct. In theory, if the purchase orders are repurposed the Board of Education can spend the funds without the consent of the Board of Finance. First Selectman Llodra stated that the struggle is to honor the position of the Board of Finance, allowing the reserve fund, when specific action wasn't taken before the books were closed and the accounts were swept. Mr. Kortze stated that this type of managerial prerogative can work against the Board of Education. He said one of the critical issues is a good understanding of what the \$150,000 is going to be used for. In the normal course of operation these dollar amounts are dealt with via transfers. Mr. Tait stated the money is in the general fund reserve. When the council discussed this Mr. Spragg asked for a legal opinion. The town attorney has no legal basis for an opinion because this is accounting, not law and suggested we talk to the auditor; the auditor said it is within our prerogative. Mr. Gaston commented that we have enabling legislation to set up an education reserve account and asked about the process of transferring money that is regulated when it comes out through a process involving the Board of Finance and the Legislative Council. Mr. Tait said it is an option; the capital non-recurring fund can be used for both education and municipal items. There is a resolution from the Board of Finance; there should be one from the Legislative Council also. Mr. Kortze asked for an opinion from the auditor. The resolution the Board of Finance sent to the Council has not been acted on yet.

**FINANCE DIRECTOR REPORT:** various items are covered throughout the meeting.

#### **OLD BUSINESS:**

##### **Discussion and possible action:**

- 1. Board of Education Transfer Policy:** (At. D) The auditor agreed with the Board of Finance that line items are large, there should be a maximum. He suggested the board invite Mr. Hart to speak about this and the space needs analysis.

#### **NEW BUSINESS**

##### **Discussion and possible action:**

- 1. Advanced Fusion Systems (AFS) Business Incentive:** (Att. E) Ms. Stocker explained that the Economic Development Commission is asking the board to consider a tax incentive for Advanced Fusion Systems, 11 Edmond Road and detailed the history of the company looking into Newtown as a location for their business. Dr. Joyce presented information on the company and the economic benefits to the town (Att. F) explaining that AFS is a high tech manufacturing company that has the potential to bring 200+ highly skilled jobs to Newtown within five years. Mr. Powell agreed that \$10.5 million is an appropriate estimation of assessment after building improvements are completed. Dr. Joyce said that it would be economical for AFS to generate their own power which would give the town additional backup power. First Selectman Llodra said that all new equipment is exempt from taxation. Personal property that is not directly involved in the manufacturing process is subject to taxation. Dr. Joyce said that NY offered substantial money to cover the electrical equipment modifications and they looked at places in Oxford, Brookfield and New Milford. He said AFS bought a company out of bankruptcy; the inventor was running the company. Dr. Joyce thinks this is good for the town in the sense it is a high tech operation that will bring highly paid jobs. Government contractors would like to partner with AFS. He said that although 75% of startup businesses don't work he thinks AFS will be successful; it is the only facility like this in the world. Mr. Powell hopes for a ripple effect that will bring other companies to town. Dr. Joyce said the government has been

funding research for current limiting devices. The building will have encrypted cell phones, sound proofing, 24 hour security; certain people will need certain security clearance. The bulk of the work will not be for government it will be within the power industry and the environmental cleanup industry. Mr. Gersten asked if the benefits were specific to the entity and not the property. Dr. Joyce said the only way the property would be sold is if the company is sold. Enormous amounts of money are being put into the facility; it would be useless to anybody else. He has no intention of selling. Mr. Kortze recapped by saying the current taxes will be collected for five years. A larger assessment will be in place after the fifth year. Ms. Stocker explained that the current program is different from what is being offered to AFS because it allows for 45% of the increase in assessment to be abated for a period of three years. The projects that has been used for up to this point have been new builds on vacant property. She noted that AFS is preserving an asset of the town. Mr. Gersten moved to approve the tax abatement proposal and carry forward to the Legislative Council with a positive recommendation. Mr. Gaston seconded. All in favor. Mr. Sharpe said the EDC looked closely at the tax abatement proposal and thinks it is a win/win for everyone; the town will collect current assessment taxes every year for five years. Mr. Rau said the EDC completed a thorough analysis a number of years ago to what should be the target industries to bring to Newtown; technology companies were at the top of list because the capital investment would be high and the caliber of jobs would be high. AFS has the potential of being the highest tax payer, employer and payroll in Newtown. Mr. Kearney commented that he is mindful that AFS had choices and it is a great thing for Newtown that they decided to stay here. He commended the EDC and Ms. Stocker on their hard work.

- 2. Resolution: Resolution:** RESOLUTION AMENDING A RESOLUTION PROVIDING FOR A SPECIAL APPROPRIATION IN THE AMOUNT OF \$4,257,690 FOR ROOF REPLACEMENT AT NEWTOWN MIDDLE SCHOOL AND AUTHORIZING THE ISSUANCE OF \$4,257,690 BONDS OF THE TOWN TO MEET SAID APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE (Att. G)

To be amended to expand the scope of the project to include replacement and/or extension of the HVAC and related electrical and architectural work, related to the cafeteria, nurse/administrative office and computer rooms. Appropriation amount is not changed (from the original resolution).

*\*Resolution discussion below*

- 3. Resolution:** RESOLUTION AMENDING A RESOLUTION PROVIDING FOR A SPECIAL APPROPRIATION IN THE AMOUNT OF \$4,257,690 FOR ROOF REPLACEMENT AT NEWTOWN MIDDLE SCHOOL AND AUTHORIZING THE ISSUANCE OF \$4,257,690 BONDS OF THE TOWN TO MEET SAID APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE (Att. H)

To be amended by increasing the amount of the appropriation and bond authorization therein by \$969,610 from \$4,257,690 to \$5,227,300 and to expand the scope of the project to include (i) replacement of the red copper gutters, corridor lighting, ceilings, and devices in work, and (ii) replacement and/or extension of the HVAC and related electrical and architectural work, and replacement of the skylights, duct, and ceiling, all related to the cafeteria, auditorium, principal/guidance office, nurse/administrative office, library and computer rooms.

*\*Resolution discussion below*

\*First Selectman Llodra recommended a change of wording of the resolution to take care of HVAC issues; this isn't a recommendation for new HVAC installation but in case an existing unit fails or falls apart during the roof replacement project. The bond language is limited and does not allow for replacement of a unit. She and Mr. Tait met with Kaestle Boos today for a better understanding of the increase in price. (Att. I). The base bid is \$2,983,000. Alternate #9 is part of the base project; necessary work that is related to the roof replacement project. The state required it to be separate. This will require \$700,000 more than what we have bonded. The recalibrated CIP, based on the fact that it is figured on an expectation that the operational budget will increase by 2.25%, is very serious. The base bid option, with alternate #9, will increase the CIP next fiscal year by \$1 million, the next year \$1.5 million and the following year \$1 million. This will be very challenging to meet. First Selectman Llodra will find out if there is a time issue involved in jeopardizing the state reimbursement should the building be used for a purpose other than a school. The numbers from 3/22 reflected numbers prior to getting market place numbers. Silktown is the low bidder and is ready to start the project. The original resolution has been passed and includes the roof and the ceiling work. Mr. Tait went over the Kaestle Boos packet and the effect on the CIP (Att. J). Mr. Gersten noted he does not support the transaction because he has no confidence in the numbers. He believes doing the project without the HVAC is a disaster. Another issue is that no one can say today what will be done with that building. He would be compelled to vote against an amendment and thinks it would be a mistake for the town to go forward with the project until the scope of the work is adequately identified and the financing is clarified. Mr. Portnoy is on record as not wanting to do the roof on a building we don't know the future use of; his concern was fixing the leaks. He agrees with Mr. Gersten, if you are going to do the roof, do the whole project. He cannot support the project. Mr. Gaston supports option B. The roof needs to be replaced whatever the use of the building. There has been a significant amount of work put into this project and it would be wise to amend the resolution as recommended by bond council but wants to make sure the board is not initiating it. Mr. Waterbury is not convinced there will be another use for the Middle School but it is not a valid argument for not doing the roof. He is leaning toward support but is unsure at this point. Mr. Kearney asked what the plan is if the board does not approve the change of language. First Selectman said that if the board does not approve the language change it means that if there is damage to the existing HVAC units they cannot be replaced. Mr. Kortze recognizes the need of fixing the leaking roof and providing for it and encourages the process to be talked about. He believes it is a town building that needs to be taken care of no matter what. He is concerned about how the scope and scale of this project morphed beyond the original resolution. He doesn't understand how anybody looking at the roof didn't recognize that HVAC needed to be included in the original resolution due to their age and condition. He would like more time to understand the impact on the CIP. He also wants it clarified who is initiating the special appropriation. Mr. Kearney is agreeable to waiting if it gives an opportunity to learn something new. Mr. Gaston said he wants it on record that this project is a school project. First Selectman Llodra confirmed the project is a school project.

4. **Minimum Budget Requirement:** (Att. K) Mr. Kortze said that based on the minimum balance required for the education budget the maximum reduction would be \$300,000+ and that is not near 1%. It's interesting that there is a \$12,000 per pupil spending yet the state only allows a reduction of \$3,000 per student. Mr. Gertsen reiterated that the facilities study needs to be completed. Mr. Kearney stated any reduction is subject to review by the State Commissioner of Education.
5. **Transfer:** Mr. Gersten moved the Public Works transfers as reflected in Att. L. Mr. Gaston seconded. All were in favor.
6. **Transfer:** Mr. Gaston moved the Public Works transfers as reflected in Att. M. Mr. Gersten seconded. All were in favor.
7. **Transfer:** Mr. Gaston moved the transfer of \$11,400 from 01570-2000 Contingency to 01180-1005 Referenda. Mr. Gersten seconded. All were in favor.

**ANNOUNCEMENTS:** none.

**ADJOURNMENT:** Having no further business, the Board of Finance adjourned their regular meeting at 10:23 p.m.

  
Susan Marcinek, Clerk

Att. A: J.Kortze/G. Schmidt emails re: State Statute – MBR. June 2011  
Att. B: Stratford rating downgrade by Moody's  
Att. C: email re: \$150,000 transfer, June 2011  
Att. D: email and memo re: BOE transfer policy, June 2011  
Att. E: EDC memo re: AFS, May 27, 2011  
Att. F: AFS PowerPoint  
Att. G: Middle School Roof Resolution  
Att. H: Middle School Roof Resolution  
Att. I: memo to P. Llodra from Kaestle Boos, June 8, 2011  
Att. J: Middle School Roof information, R. Tait & Kaesle Boos, June 2011  
Att. K: Minimum Balance Requirement  
Att. L: Public Works Transfer sheet  
Att. M: Public Works Transfer sheet

**Att. A****RE: Re: State Statute**

Mon 6/6/2011 8:59 AM

From: Kortze, John

To: George Schmidt

Cc: pat.llodra@newtown-ct.gov, mjglaw@aol.com, susan.marcinek@newtown-ct.gov

George,

I hope this email finds you well and thanks for the note.

I know you attend a number of meetings and are much more aware of our viewpoints on the issue at hand. My thoughts regarding the idea presented by Gary Davis are several and the issue with the "MBR" is just one of them. Speaking for myself only, I am in favor of reducing taxes (as I expressed) but had many concerns about not only the timing and true intent of the idea but also the impact on services and many of the other issues surrounding the idea.

My understanding is similar to the response Pat provided you in a separate email. There is a restriction and it is linked to a certain budget year and we have discussed the issue a few times and asked for clarification. In any event, my sense at this point is that it may not provide the level of flexibility that some would prefer, may be an option to some degree, but due to that lack of flexibility, would inherently require an equal stress to other areas of the budget should "1%" goal as requested be realized .

Rest assured we will pursue the idea so we all have a clear understanding and I will ask Sue to add it to our next agenda.

Thanks again for your note, and more importantly, your time.

John

---

**From:** George Schmidt [mailto:gw484schmidt@sbcglobal.net]**Sent:** Saturday, June 04, 2011 11:24 AM**To:** Kortze, John**Cc:** pat.llodra@newtown-ct.gov; mjglaw@aol.com**Subject:** Fw: Re: State Statute

John -

I am forwarding you this e-mail string, because I read in *The Bee* yesterday that you had cautioned in a BOF meeting that "...state law prevents any town from reducing the school district's budget below the amount funded in the previous year."

As you will see below, Mary Ann Jacob made the same statement in an LC meeting - and I was enough curious about the text of the law (not doubting that the state might be idiotic enough to mandate something like that!) to write to her for additional information.

Anyway, although I have not researched the details that are referenced by Mary Ann and Kathy, it appears that a town may not be as "locked in" to an education budget number as one might assume from the summary statement: "you can't reduce from the previous year".

As I said, I don't know the correct answer (it may require a legal opinion?), but I would hate to think that we take the idea of a reduction completely off the table based on what may be erroneous information. And I certainly agree with both Martin Gersten that "local property taxpayers have hit the wall," and with Pat Llodra that savings can't be achieved solely on the town side of the budget.

I hope that the information provided below proves to be of some help to you and the BOF in your deliberations.

Best regards,

George (Nick) Schmidt

--- On Sat, 5/21/11, Mary Ann Jacob <mjacob4404@charter.net> wrote:

From: Mary Ann Jacob <mjacob4404@charter.net>  
Subject: Re: State Statute  
To: "George Schmidt" <gw484schmidt@sbcglobal.net>  
Date: Saturday, May 21, 2011, 4:14 PM

Good Morning George,

Yes, there is an issue with reducing the education budget. Basically, if we do reduce the amount of the budget below current funding, we lose funding from the state, so it's actually not 100% accurate for me to say we absolutely can't. I've copied some comments Kathy Fetchick made on The Patch recently addressing the same question that should address your question, please let me know if it does or not, and thanks for asking.

Mary Ann

The state defines the Minimum Budget Requirement (MBR) for a school district. If the district does not meet this minimum, state grants to the district are reduced. I am going to include the state statutes from the state website rather than trying to regurgitate it for you and not get the explanation correct.

For Definitions: <http://www.cga.ct.gov/2011/pub/chap172.htm#Sec10-262f.htm>

Then you need to scroll down and read through the following statutes:

Sec. 10-262h. Equalization aid grant calculations.

Sec. 10-262i. Grant payments. Expenditures for educational purposes only; exception. Prohibition against supplanting local funding. Minimum budget requirement; exception. Penalty.

Sec. 10-262j. Minimum expenditure requirement.

I have found that the state website is a wealth of information with regard to Education Law. The Education laws are at the following location: <http://www.cga.ct.gov/2011/pub/title10.htm>

To calculate the MBR for Newtown, I would consult with the state. On the state dept of education website, I found that there is a calculation for the MBR of all towns (<http://www.sde.ct.gov/sde/lib/sde/PDF/dgm/report1/MBR2010-11.pdf>). Newtown is listed as \$65,416,208. Our 2010-11 budget was \$67,194,734.

Sent from my iPad

On May 21, 2011, at 11:13 AM, George Schmidt <gw484schmidt@sbcglobal.net> wrote:

Mary Ann -

I read your comment in *The Bee* article on our budget's passage, and I was curious about the State requirement that does not permit a town to reduce its educational spending year-on-year. I don't doubt what you said - I harbor no doubts at all about the ability of our representative geniuses in Hartford to construct boxes from which one cannot extricate oneself - but I am curious about the wording/logic(?) of such a statute.

Do you happen to have the text handy...or could you provide the chapter & verse from the statutes where I might find it? If and when you get a chance, I would appreciate a reply. Many thanks in advance!

Best regards,

George Schmidt

FW: Stratford Downgraded by Moody's

Wed 6/1/2011 10:57 AM

From: Kortze, John

To: susan.marcinek@newtown-ct.gov

Comm.

Please add to agenda.

---

**From:** Robert Tait [mailto:robert.tait@newtown-ct.gov]  
**Sent:** Wednesday, June 01, 2011 9:32 AM  
**To:** pat.llodra@newtown-ct.gov; Kortze, John; bspragg9274@charter.net  
**Subject:** FW: Stratford Downgraded by Moody's

FYI

---

**From:** Bernabe, Barry [mailto:BBernabe@WebsterBank.com]  
**Sent:** Wednesday, June 01, 2011 9:27 AM  
**To:** Robert Tait (Robert.Tait@newtown-ct.gov)  
**Subject:** Stratford Downgraded by Moody's

Bob – FYI, attached is a Moody’s rating report for the Town of Stratford. Moody’s just downgraded the town from Aa2 to Aa3. Low Fund Balance levels were a big part of the reason.

Barry Bernabe  
 Vice President, Webster Bank  
 Government Banking Group  
 CityPlace II, 3rd Floor  
 Hartford, CT 06103  
 203.578.2203 (phone)  
 860.314.8602 (fax)  
[bbernabe@websterbank.com](mailto:bbernabe@websterbank.com)

BP798091

---

PRIVILEGED AND CONFIDENTIAL: Communications sent from Webster Financial Corporation, and our affiliates, which contain sensitive information, will be sent via encrypted email. Affiliates of Webster Financial Corporation include Webster Business Credit, Webster Capital Finance, and HSA Bank. This communication, including attachments, is for the exclusive use of addressee and may contain proprietary, confidential or privileged information. If you are not the intended recipient, any use, copying, disclosure, dissemination or distribution is strictly prohibited. If you're not the intended recipient, please notify the sender immediately by return email and delete this communication and destroy all copies.

To opt-out of receiving email advertisements please call 1-800-325-2424. Webster Corporate



# MOODY'S

## INVESTORS SERVICE

**New Issue:** MOODY'S DOWNGRADES TOWN OF STRATFORD'S (CT) G.O. BOND RATING TO Aa3 FROM Aa2

Global Credit Research - 31 May 2011

### Aa3 RATING ASSIGNED TO \$69 MILLION GENERAL OBLIGATION REFUNDING BONDS, SERIES A & B

Municipality  
CT

#### Moody's Rating

ISSUE		RATING
Taxable Pension Obligation Refunding Bonds, Series A		Aa3
<b>Sale Amount</b>	\$51,805,000	
<b>Expected Sale Date</b>	06/21/11	
<b>Rating Description</b>	General Obligation	
Tax-Exempt General Obligation Pension Obligation Refunding Bonds, Issue of 2011, Series B		Aa3
<b>Sale Amount</b>	\$17,230,000	
<b>Expected Sale Date</b>	06/21/11	
<b>Rating Description</b>	General Obligation	

#### Opinion

NEW YORK, May 31, 2011 -- Moody's Investors Service has downgraded the Town of Stratford's (CT) general obligation bond rating to Aa3 from Aa2, affecting approximately \$136 million in outstanding debt. Concurrently, we have assigned a Aa3 rating to the town's \$69 million General Obligation Refunding Bonds, comprised of a taxable Series A (\$51.8 million) and a tax-exempt Series B (\$17.2 million).

#### RATINGS RATIONALE

The rating downgrade reflects the town's weakened financial position and below average reserve position that is expected to narrow further at the end of fiscal 2011. The town financial position is expected to remain limited over the medium term given ongoing expenditure demands and weak revenue growth. Assignment of the Aa3 rating also factors the city's sizable tax base with above average income levels and manageable debt profile.

The refunding bonds, and outstanding parity debt, are general obligations of the city, secured by an unlimited tax pledge. The refunding is expected to produce estimated net present value savings in excess of 10% of refunded principal with no extension of maturities.

#### STRENGTHS

-Sizable tax base with above average demographic profile

#### CHALLENGES

-Low reserve levels

-Limited financial flexibility due to continued revenue weakness and ongoing expenditure demands

-Internal Service Fund deficit

#### DETAILED CREDIT DISCUSSION

## FINANCIAL FLEXIBILITY EXPECTED TO REMAIN STRAINED; RESERVE POSITION PROJECTED TO DECLINE WITH FISCAL 2011 OPERATING DEFICIT

Stratford's below average financial position is expected to weaken further at the end of fiscal 2011, which would represent the town's third consecutive operating deficit. The town's reserve position is expected to fall further below state and national medians and, looking ahead, the town's ability to regain structural balance and its improve its financial flexibility will be a key driver in future rating actions.

Fiscal 2010 ended with a General Fund balance reduction of \$2.4 million driven by lower than budgeted revenues. At year-end undesignated General Fund balance declined to \$8.4 million or 3.8% of revenues. At this level, the town's undesignated General Fund balance remains significantly below state (7.5%) and national (20%) medians for Aa3 rated municipalities. Additionally, the town has historically accounted for health claims through the General Fund however at the end of fiscal 2010 the town established an Internal Service Fund (ISF) to account for claims activity. Claims were over budget in 2010 and audited results indicate a negative \$1.035 million net asset position at year-end. The ISF's position is expected to remain stable at the end of fiscal 2011 and the town has included \$400,000 towards reducing the deficit as part of its fiscal 2012 budget. The General Fund is largely supported by property tax receipts (80% of revenues) and there are no statutory levy limitations in Connecticut. State aid comprises a more modest 14% of revenues and state aid is projected to remain relatively stable for fiscal 2012.

An anticipated reserve reduction in fiscal 2011 is expected to further weaken the town's level of financial flexibility. Projected results on a budgetary basis indicate a \$2 million operating deficit, driven by lower than budget revenues (\$1.3 million) and greater than budgeted expenditures (\$700,000). General Fund balance is anticipated to decline to a pro-forma \$6.4 million or 3.6% of revenues, assuming 3% revenue growth. The fiscal 2012 budget represents a 1.76% increase over the prior year. The budget is balanced primarily with a 2.5% mill rate increase and includes the elimination of 8 positions and a \$430,000 appropriation toward restoring fund balance. The budget is balanced without the use of reserves as a revenue source. The absence of a General Fund balance appropriation is consistent with the town's policy which restricts the use of reserves (on a budget basis) until General Fund balance exceeds 10% of the operating budget. Failure to stabilize reserves in 2012 and begin to augment reserves in line with budgetary expansion at a minimum going forward could impact credit quality as could a reduction of reserves in 2011 in excess of current estimates.

Despite the issuance of pension obligation bonds in the late 1990's the town's pension funded ratio remains weak at 49%, as of July 1, 2010, down from a healthier 65% in 2007. Positively, the town expects to continue to fully fund its annual required contribution (ARC). The town has also started to allocate funds, above the pay-as-you-go-portion, in an effort demonstrate the recognition of its sizable other post employment benefits liability, which stood at \$55.4 million as of 2008. The fiscal 2012 budget provides \$590,000 above the pay-go amount. The town has yet to establish an OPEB trust fund.

## GRAND LIST GROWTH EXPECTED TO REMAIN SLOW

Growth of Stratford's \$6.7 billion equalized net grand list (ENGL) is expected to remain constrained reflecting the weak pace of economic recovery. Stratford, located along Interstate 95, immediately east of Bridgeport (rated A1/negative outlook), continues to transition from a defense driven economy previously dominated by Allied Signal and Sikorsky Aircraft which, at one time, represented 18% of the tax base (only Sikorsky remains, at 1.9% in fiscal 2012). The town's net taxable grand list expanded at an average annual rate of 7.3% between fiscal years 2005 and 2010, inclusive of a 10/01/2004 revaluation, which resulted in a 42% net grand list increase. Following the revaluation the town experienced two consecutive years of grand list contractions and Stratford's most recent revaluation (values as of 10/1/2010) exhibited a 1.4% reduction, reflecting the loss of value and lack of market appreciation over the last several years. The town also saw a 1.1% reduction for fiscal 2012, reflecting the removal of manufacturing equipment from the tax rolls as part of a state program that provides a reimbursement for the lost revenues and reduces the tax burden of employers. Indicative of the tax base diversity and favorable location in eastern Fairfield County, the town's wealth indicators are roughly equivalent to state medians. The ENGL per capita is strong at \$138,959 (155% of the nation). The town's unemployment rate (9.7% as of March 2011) remains elevated relative to the nation (9.2%) and the state (9.3%).

## DEBT EXPECTED TO REMAIN MANAGEABLE

Moody's expects the town's debt position will remain stable given its rapid amortization of outstanding debt (83% within 10 years, including Clean Water Loans) and manageable borrowing plans. The town's overall debt burden is currently 2.0% of ENGL, including \$60 million in pension obligation bonds issued in 1998, and debt service represented a slightly elevated 11.2% of expenditures in fiscal 2010. Larger near-term borrowing plans include approximately \$7 million for elementary school improvements. Additionally, the town is also considering a larger high school reconstruction project, with the town's share estimated at \$23 million (net of approximately 55% state funding). The town has no exposure to variable rate debt and is not party to any derivative agreements.

## WHAT COULD MOVE THE RATING UP:

\*Improvement of financial flexibility and available reserve levels consistent with higher rating category

#### WHAT COULD MOVE THE RATING DOWN:

\*Reductions of financial flexibility or available reserve levels beyond those projected for fiscal 2011

\*Inability to achieve structurally balanced operations and stabilize General Fund balance in fiscal 2012

\*Additional increases to the Internal Service Fund deficit

#### KEY STATISTICS

2008 Population: 48,853 (-2.2% since 2008)

2010 Equalized net grand list: \$6.7 billion

2010 Equalized net grand list value per capita: \$138,959

2000 Per Capita Income (as a % of State and U.S.): \$26,501 (92.1%, 122.8%)

2000 Median Family Income (as a % of State and U.S.): \$64,364 (98.2%, 128.6%)

FY10 General Fund balance: \$8.4 million (4.9% of revenues)

FY 10 Unreserved, undesignated General Fund balance: \$6.6 million (3.8% of revenues)

Overall debt burden: 2.0%

Payout of principal (10 years): 83%

Post-sale parity debt outstanding: \$136 million

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009.

#### REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, and public information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website [www.moodys.com](http://www.moodys.com) for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

## Analysts

Conor McEachern  
Analyst  
Public Finance Group  
Moody's Investors Service

Dora Lee  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

Geordie Thompson  
Senior Credit Officer  
Public Finance Group  
Moody's Investors Service

## Contacts

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

Moody's Investors Service  
250 Greenwich Street  
New York, NY 10007  
USA

**MOODY'S**  
INVESTORS SERVICE

© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any

FW: update on BoE \$\$ question

Fri 6/10/2011 10:44 AM

From: Kortze, John

To: susan.marcinek@newtown-ct.gov

Can you add this as well, to the next agenda as communication

---

From: Llodra, Pat [mailto:pat.llodra@newtown-ct.gov]  
Sent: Thursday, June 09, 2011 4:37 PM  
To: Capeci, Jeff; Kortze, John; Spragg, Ben  
Cc: Tait, Bob; Grogins, David  
Subject: update on BoE \$\$ question

I think we have a final plan related to the \$150,000 question. This plan was crafted this morning in a meeting between me, Ben, and Dave Grogins. Bob Tait is agreeable (he was not here to participate in person but come into the conversation this afternoon).

First of all, please know that our auditor said from the very beginning that it is an administrative prerogative to re-define the use for a purchase order. (This action is not uncommon and has been used during my tenure and certainly in previous administrations as well.) The auditor suggested we might want to get a BoF, LC resolution just because of the size of this redefinition (\$150,000). The purpose behind getting a resolution was to ensure that everyone knows what action is being taken.

The resolution itself became problematic - and that was further complicated by seeking a legal opinion to defend a procedure that was not acceptable. We are very clear now that we do not need to move the money from General Fund to Cap Non-Recurring. We will simply redefine the purpose for those purchase orders when the BoE makes the appropriate request sometime in the next fiscal year (after July 1, 2011).

On to next year...we need process and control mechanisms for this concept so that the question can be dealt with at the end of the fiscal year, before we close the books. That need for process might emerge as early as July/August 2011. To that end, I believe the Finance Ct will be meeting to consider the question.

Are we okay on this?

E. Patricia Llodra  
First Selectman  
Town of Newtown  
3 Primrose Street  
Newtown, CT 06470

(203) 270-4201 - Office

(203) 270-4205 - FAX

ATTENTION: THIS E-MAIL MAY BE AN ADVERTISEMENT OR SOLICITATION FOR PRODUCTS AND SERVICES.

To unsubscribe from marketing e-mails from:

. An individual Wells Fargo Advisors financial advisor: Reply to one of his/her e-mails and type .Unsubscribe. in the subject line.

. Wells Fargo and its affiliates: Unsubscribe at [www.wellsfargoadvisors.com/unsubscribe](http://www.wellsfargoadvisors.com/unsubscribe) .

Neither of these actions will affect delivery of important service messages regarding your accounts that we may need to send you or preferences you may have previously set for other e-mail services.

For additional information regarding our electronic communication policies, visit <http://wellsfargoadvisors.com/disclosures/email-disclosure.html> .

Wells Fargo Advisors, LLC is a separate nonbank affiliate of Wells Fargo & Company, Member FINRA/SIPC. 1 North Jefferson, St. Louis, MO 63103.

FW: new fund balance rules (definitions)

Wed 6/8/2011 11:13 AM

From: Kortze, John

To: susan.marcinek@newtown-ct.gov

Please add to agenda

---

From: Robert Tait [mailto:robert.tait@newtown-ct.gov]  
Sent: Wednesday, June 08, 2011 10:30 AM  
To: bspragg9274@charter.net; Kortze, John; 'Grogins, David L.'  
Cc: pat.llodra@newtown-ct.gov  
Subject: new fund balance rules (definitions)

Hello,

Starting this fiscal year (will be on the 06/30/2011 financials) we will have new fund balance terms (GASB 54 statement).

Pat has been discussing changing our fund balance policy. Turns out we will have to change our policy due to the new fund balance descriptions.

Another interesting point is when you read the GASB 54 statement (attached), items #3 (under committed and assigned terms) and #6 it answers our question on the \$150,000 transfer (at least I think so). Basically it says that we can.

I will be working with the auditors on this new statement.

Bob

ATTENTION: THIS E-MAIL MAY BE AN ADVERTISEMENT OR SOLICITATION FOR PRODUCTS AND SERVICES.

To unsubscribe from marketing e-mails from:

. An individual Wells Fargo Advisors financial advisor: Reply to one of his/her e-mails and type .Unsubscribe. in the subject line.

. Wells Fargo and its affiliates: Unsubscribe at [www.wellsfargoadvisors.com/unsubscribe](http://www.wellsfargoadvisors.com/unsubscribe) .

Neither of these actions will affect delivery of important service messages regarding your accounts that we may need to send you or preferences you may have previously set for other e-mail services.

For additional information regarding our electronic communication policies, visit <http://wellsfargoadvisors.com/disclosures/email-disclosure.html> .

Wells Fargo Advisors, LLC is a separate nonbank affiliate of Wells Fargo & Company, Member FINRA/SIPC. 1 North Jefferson, St. Louis, MO 63103.

**FW: Board of Ed encumbrances**

Wed 6/8/2011 9:34 AM

From: Kortze, John

To: [susan.marcinek@newtown-ct.gov](mailto:susan.marcinek@newtown-ct.gov)

Can you add to agenda ...

---

From: Robert Tait [<mailto:robert.tait@newtown-ct.gov>]

Sent: Wednesday, June 08, 2011 9:23 AM

To: Kortze, John

Subject: FW: Board of Ed encumbrances

John,

At the end of the fiscal year all unspent funds do not lapse (not the funds that are encumbered which we are talking about). Some Towns have in their charter that all encumbrances lapse at year end. Our charter does not (neither does most towns in CT).

Bob

From: Grogins, David L. [<mailto:DGrogins@cohenandwolf.com>]

Sent: Tuesday, June 07, 2011 4:40 PM

To: [robert.tait@newtown-ct.gov](mailto:robert.tait@newtown-ct.gov)

Cc: [pat.llodra@newtown-ct.gov](mailto:pat.llodra@newtown-ct.gov)

Subject: Board of Ed encumbrances

Bob, I spoke to Joe Centofanti about the encumbrance issue. I also researched the question of what happens when the fiscal year ends and the encumbrance lapses. I have been unable to find any authority to support the concept that the money can be reappropriated or that it can be transferred to a capital reserve account without first being placed into the general fund. Joe believes this is an accounting question and I tend to agree, but it does seem to conflict with the general concept that at the end of the fiscal year, all unspent funds lapse.

ATTENTION: THIS E-MAIL MAY BE AN ADVERTISEMENT OR SOLICITATION FOR PRODUCTS AND SERVICES.

To unsubscribe from marketing e-mails from:

. An individual Wells Fargo Advisors financial advisor: Reply to one of his/her e-mails and type .Unsubscribe. in the subject line.


. Wells Fargo and its affiliates: Unsubscribe at [www.wellsfargoadvisors.com/unsubscribe](http://www.wellsfargoadvisors.com/unsubscribe) .

Neither of these actions will affect delivery of important service messages regarding your accounts that we may need to send you or preferences you may have previously set for other e-mail services.

For additional information regarding our electronic communication policies, visit <http://wellsfargoadvisors.com/disclosures/email-disclosure.html> .

Wells Fargo Advisors, LLC is a separate nonbank affiliate of Wells Fargo & Company, Member FINRA/SIPC. 1 North Jefferson, St. Louis, MO 63103.

**Att. D**

 Auditor Comment on BOE Draft Transfer Policy

Mon 6/6/2011 9:52 AM

From: Kortze, John

To: William Hart

Cc: Jeffrey Capeci, pat.lodra@newtown-ct.gov, Mary Ann Jacob, Kathy Fetchick, Benjamin Spragg, Bob Tait (finance.director@newtown-ct.gov), Harrison Waterbury (harrison.waterbury@sbcglobal.net), James Gaston (OKJT@aol.com), jkearney19@aol.com, Martin Gersten (mjglaw@aol.com), [View All \(12\)](#)

Bill,

Enclosed please find the comments from the auditor on the draft transfer policy. As we discussed via email, I wanted to get his input. We discussed it at our last meeting and requested the input in writing.

Please bear in mind that the BOF had discussed the issue of the auditors comments but have not come to a recommendation on our end regarding the issue as we were waiting for his letter.

Your agenda indicates you may vote on the issue so I wanted you to have the most recent info.

Obviously we would want to prepare suggestions to your draft and would want to include the auditors recommendations.

Let me know your thoughts,

John





**KOSTIN,  
RUFFKESS  
& COMPANY, LLC**

Business Advisors and Certified Public Accountants

Farmington, CT • New London, CT  
Springfield, MA

Pond View Corporate Center  
76 Batterson Park Road  
Farmington, CT 06032-2571

Main Line: (860) 678-6000  
Toll Free: (800) 286-KRCCO  
Fax: (860) 678-6110  
Web: [www.kostin.com](http://www.kostin.com)

June 3, 2011

Board of Finance  
Town of Newtown

RE: Revised Board of Education Budget Transfer Policy

I have reviewed draft revised Board of Education policy and have the following comments:

- The line that begins “Transfers are required when...” has been modified from “account” to “major object code”. This change causes the policy as modified to be in violation of the State Statutes. In no instance should the major object code be over expended, except as allowed under the emergency conditions.

If the policy is being modified to “major object level” as noted above, then the line that begins “Transfers are required when...” should be deleted.

- The delegation by the Board of transfer authority within an object code is allowable under the State Statutes. From a management reporting and best practice standpoint, we recommend that the following be considered:

Since object codes are at very high level, the dollar amounts of each object could be millions of dollars, especially in the case of salaries and,

Since the Board has put a threshold of \$50,000 for emergency condition spending,

We recommend that a reporting requirement to the Board of Education be required for transfers amounts over an established threshold be considered for transfers made by management. Please see the next comment which may be related.

- The paragraph that reads “All emergency transfers and all those beyond detail accounts within an object summary category...”, it is unclear to me what is meant by “and all those beyond detail accounts.”

It would clarify the intent of the policy and address my previous recommendation if the words “and all those beyond detail accounts” were replaced with something like:

“and all transfer made between accounts within an object over \$X.”

This would be simply a reporting required to ensure the Board is informed regarding significant changes to the adopted budget.



Page 2

The other changes to the policy appear to add additional clarity to the transfer process and the procedures that should be followed.

If you have any further questions, please let me know.

Sincerely,

A handwritten signature in cursive script that reads 'Joseph Centofanti'.

Joseph Centofanti, CPA, CFE, FCPA, CFF, CGFM  
Member of the Firm

2

NEWTOWN MUNICIPAL CENTER  
3 PRIMROSE STREET  
NEWTOWN, CONNECTICUT 06470  
TEL: (203) 270-4271  
FAX: (203) 270-4205  
EMAIL: edc@newtown.org  
www.newtown.org



DON SHARPE,  
CO-CHAIRMAN

MARGARET OLIGER  
CO-CHAIRMAN

## MEMORANDUM

To: Pat Llodra, First Selectman

From: Don Sharpe and Margaret Olinger  
Co-Chairmen, Economic Development Commission

Date: May 27, 2011

Re: Advanced Fusion Systems (AFS) Business Incentive for 11 Edmond Road

At its May 17, 2011 meeting, the Economic Development Commission voted to recommend that the Town of Newtown enter into an agreement with Advanced Fusion Systems LLC to fix 100 percent of the increase in assessment of the real property located at 11 Edmond Road for a period of not more than five years provided the cost of such improvements to be constructed are no less than \$3 million. This recommendation is pursuant to Section 12-65b(a)(1) of the Connecticut General Statutes.

The commission recognizes that AFS had choices for locating and investing in this project well beyond the borders of Newtown and the State of Connecticut. The decision to locate the headquarters, research and development and manufacturing facility for AFS at 11 Edmond Road is expected to bring long term economic benefits to Newtown. Such benefits include the potential for new job creation (30+ construction workers and 5 permanent employees are already on site), additional revenue for building permits and new tax revenue. Spin off economic benefits such as new business developments and increased property values are also likely to occur as a result of the AFS project.

The application for the Business Incentive Program (attached) outlines the expected investment for this project at \$25 million. Building permits issued for this project indicate that the estimated cost of improvements total over \$6.5 million. Building permit revenue received to date totals \$86,664 and real property taxes collected this past year total \$142,179. The Phase II improvements are estimated to cost approximately \$9 million more and will provide the Town of Newtown with approximately \$169,000 in building permit revenue.

The fixing of the real property assessment will not reduce the amount of taxes currently paid on the 211,000 square foot facility and site, it will delay any increase in the assessment for a set time period while the new business gets started. The purchase of the property at 11 Edmond Road was approximately \$6.3 million. Additional tax revenue from the personal property and manufacturing equipment is expected as well. This factor has not been incorporated into the attached analysis.

**SUMMARY OF BUILDING PERMITS ISSUED FOR AFS  
11 EDMOND ROAD**

<u>DATE</u>	<u>DESCRIPTION</u>	<u>ESTIMATED COST</u>	<u>PERMIT FEE</u>
10/12/2010	OFFICE RENOVATIONS (COMPLETED WITH C/O)	610,000	6,729.00
10/13/2010	RELOCATING EXISTING FEED MAINS IN FACTORY AND RELOCATE SPRINKLERS WITH OFFICE AREA TO MEET NEW TENANT LAYOUT REQUIREMENTS	51,695	604.52
10/19/2010	RENOVATIONS REPIPE BATHS IN OFFICE, ADD A SEWER INJECTOR, IN BACK BUILDING	85,000	976.10
10/22/2010	INSTALL NEW SPLIT SYSTEM, AC, FANS AND ASSOC. DUCTWORK	49,000	570.74
10/25/2010	ELECTRICAL WORK TO BATHROOMS/OFFICES/CONF. ROOM REWORK CEILING LIGHTS INSTALL UNDERGROUND PIPING IN WAREHOUSE	60,000	694.60
12/10/2010	ROOF REINFORCEMENT FOR EQUIPMENT TO BE INSTALLED AND SNOW LOADS AND MEZZANINE STEEL (INTERIOR WORK)	657,000	7,619.50
3/9/2010	INSTALLATION OF SECURITY SYSTEM	40,000	469.50
5/17/2011	FITOUT FOR MANUFACTURING/R&D FACILITY (210,000 sf)	5,145,000	69,000.00
<b>TOTAL ESTIMATED CONSTRUCTION COSTS /PERMIT FEES PAID</b>		<b>6,697,695</b>	<b>\$86,663.96</b>

**PHASE II**

EXPECTED CONSTRUCTION COSTS:

PLUMBING	\$305,000
ELECTRICAL	\$4,750,000
HEATING	\$3,150,000
FIRE PROTECT.	\$775,000
<b>TOTAL</b>	<b>\$8,980,000</b>
<b>EXPECTED PERMIT REVENUE</b>	<b>\$169,000</b>

**JOBS**

CURRENT: 30+ SUBCONTRACTORS ON SITE DAILY 5 EMPLOYEES ON SITE DAILY  
 PHASE II CONSTRUCTION WORKERS -ON-SITE WILL DOUBLE

**Advanced Fusion Systems, LLC**  
**Analysis of Business Incentive Program**  
**As Recommended by the Newtown Economic Development Commission**

Address	2010 Real Property Assessment	Existing Real Property Tax Bill (24.37 mills)	Assumed Real Property Assessment (After all Improvements are Completed)	Increase in RP Assessment (Existing vs. Post Improvements)	Real Property Tax Bill on Assessment at Year 6 (24.37 mills)			
11 Edmond Road	\$5,924,130	\$144,371	\$10,520,690	\$4,596,560	\$256,389			
Advanced Fusion Systems, LLC purchased the real estate including a 211,600 sf building on 09/11/2010 for \$6,300,000. Approvals are in place for two additions that total 30,800 sf (approx. value \$1,700,000). Estimated cost of Improvements \$25 Million.								
<b>Scenario for Fixing the Assessment at the 2010 Value for Five Years</b>								
Address	2010 Real Property Assessment (Existing)	Assumed Real Property Assessment in 2011 (20% increase)	Assumed Real Property Assessment in 2012 (20% increase)	Assumed Real Property Assessment in 2013 (20% increase)	Assumed Real Property Assessment in 2014 (20% increase)	Assumed Real Property Assessment in 2015 (20% increase)	Annual Real Property Assessment if 100% of the Increase in Assessment is Fixed	Net Annual Tax Due if 100% of the Increase in Assessment is fixed to 2010 Grand List
11 Edmond Road	\$5,924,130	\$6,843,442	\$7,762,754	\$8,682,066	\$9,601,378	\$10,520,690	\$5,924,130	\$144,371
<b>ANNUAL TAX ABATEMENT</b>		<b>\$22,404</b>	<b>\$44,807</b>	<b>\$67,211</b>	<b>\$89,615</b>	<b>\$112,018</b>		
<b>NET TAX PAYMENT OVER 5 YEARS</b>								
<b>Total 5 year Abatement:</b>								<b>\$721,855</b> <b>\$336,055</b>
Approval Recommended by the Newtown Economic Development Commission 5/17/2011. Approvals for the Business Incentives must be given by the Board of Selectmen, the Board of Finance, and the Legislative Council.								
2010 Grand List Mill Rate: 24.37								
<b>Assumptions:</b> No increase in Mill Rate over 5 year period Final build out assessment of \$10,520,690 for illustration purposes only 5 year full buildout including addition of 30,800 square feet at 20% increase each year								
Reference: CGS Sec. 12-65b (a)(1)								

**Town of Newtown  
Business Incentive Program Application**

Negotiations of Business Incentives will be conducted by the First Selectman. The findings and conclusions of the First Selectman will be submitted to the Board of Selectmen for acceptance or denial. Board approved applications will be forwarded to the Legislative Council for consideration and action.

Name of Company: Advanced Fusion Systems, LLC

Address: 11 Edmond Road, Newtown, CT 06470

Company Contact: Robert Powell // William H. Joyce

Phone Number: (RP) 917-691-7233 // (WHJ) 630-881-1457

Types of Products Manufactured or Distributed: \_\_\_\_\_

AFS will be manufacturing high voltage devices and systems used in a variety of applications including switching, amplification, a form of an x-ray laser, and AC & DC control applications.

Project Description: \_\_\_\_\_

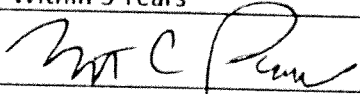
Converting 211,000 sq/ft facility at 11 Edmond Road to a manufacturing and testing facility for high voltage products. AFS will need to increase the capacity of power lines to the site to meet voltage levels necessary for planned operations.

Estimated Cost of Proposed Improvements: ~\$25,000,000.00  
(Attach itemized list of these costs and improvements)

Number of Jobs To Be Retained in Newtown: 50+ Within 3 Years

Number of Jobs To Be Created: 50+ Within 3 Years

January 24, 2011  
Date

  
\_\_\_\_\_  
Signature of Company Representative

TREASURER, AFS

Completed applications should be returned to the First Selectman's Office or the office of the Director of Community Development.

**AFS - Claris Construction Project Estimates**

12/7/2010

Phase 1 Office Renovation / Factory Underslab Work / Snow Load / Mezzanine Steel  
Completion BY March 2011

Sitework	\$ 297,596.00
Demolition	\$ 67,954.00
Concrete	\$ 301,190.00
Masonry	\$ 32,000.00
Metal Fabrications	\$ 717,000.00
Carpentry	\$ 25,600.00
Thermal & Moisture Protection	\$ 5,174.00
Doors & Windows	\$ 56,251.00
Finishes	\$ 226,547.00
Specialties	\$ 61,980.00
Mechanical	\$ 318,725.00
Electrical	\$ 237,580.00
<b>Total</b>	<b>\$ 2,347,597.00</b>

Phase 2 Factory Build Out  
Completion April 2012

Sitework/Demolition	\$ 616,874.00
Concrete	\$ 2,035,552.00
Masonry	\$ 1,005,000.00
Metal Fabrications	\$ 1,705,050.00
Carpentry	\$ 1,339,788.00
Thermal & Moisture Protection	\$ 341,750.00
Doors & Windows	\$ 1,220,000.00
Finishes	\$ 1,542,658.00
Specialties	\$ 26,850.00
Mechanical	\$ 5,070,000.00
Electrical	\$ 6,707,000.00
<b>Total</b>	<b>\$ 21,610,522.00</b>

**Project Totals \$ 23,958,119.00**



**Newtown Board of Selectmen**

June 6, 2011

Company Contacts:

**Dr. William H. Joyce**  
Chairman and Chief Executive Officer  
whjoyce@advfusion.com  
[630] 305-2805

**Robert Powell**  
Treasurer  
rpowell@advfusion.com  
[203] 270-9700 x200

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.

**The Company**

AFS is a high tech manufacturing company that was formed to capitalize on developed and patented technologies that are based on advanced electron tube technology and pulsed power systems. The AFS technology base was developed by one of the founders of the company, Curtis Birnbach.

At the facility in Newtown, AFS will be developing a series of products for the power electronics market to replace semiconductor devices. These products have applications in power generation, transmission, and distribution; environmental remediation; semiconductor manufacturing; defense; and medical industries. Much of the basis of the original technology was developed for military applications. A characteristic of AFS products will be their capability for repeated operation in extreme transient environments.

Through the fusion of patented and proven technologies developed over 25 years, the company intends to develop, manufacture and market products for a diverse group of customers and governments through direct sales efforts and joint ventures.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.





## ***Commercial Applications***

- Power Electronics For the Power Grid and Utilities
  - AC & DC Current Regulation
  - HVDC Inverter
  - Fault Current Limiters
  - EMP Protective Devices
- Defense Products
- Environmental Remediation
  - Hydrocarbon Remediation
  - Decontamination
  - Sterilization & Irradiation
- Light Sources
  - Microlithography

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



## ***Advanced Manufacturing Capabilities***

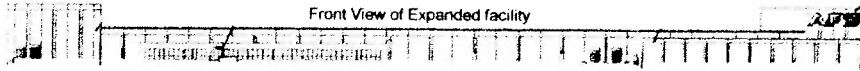
- AFS will be machining metal parts to critical dimensions, machining graphite, and producing ceramic components for its products.
  - CNC Machining: 7-axis, 5-axis, & 4-axis systems (micron tolerances)
  - Electron Tube Processing
  - Electrochemical Processing
  - Vacuum-grade Reinforced Ceramics
  - Graphite Fabrication
  - Glass Fabrication
  - Ultra-High-Speed Electronics
  - Optical Fabrication
  - Thin-Film Processing; Ion Plating
  - Plasma Processing
  - Fully shielded test facility

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



## ***AFS New Facility***



June 5, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



## ***AFS Project Plans***

AFS purchased the ~212,000 sq foot building at 11 Edmond Road in September 2010.

The Edmond Road facility will be equipped to design, build, and test high power electronic systems.

Initial manufacturing will begin in late 2011, taking place during the renovations and expansion and upon receiving a certificate of occupancy.

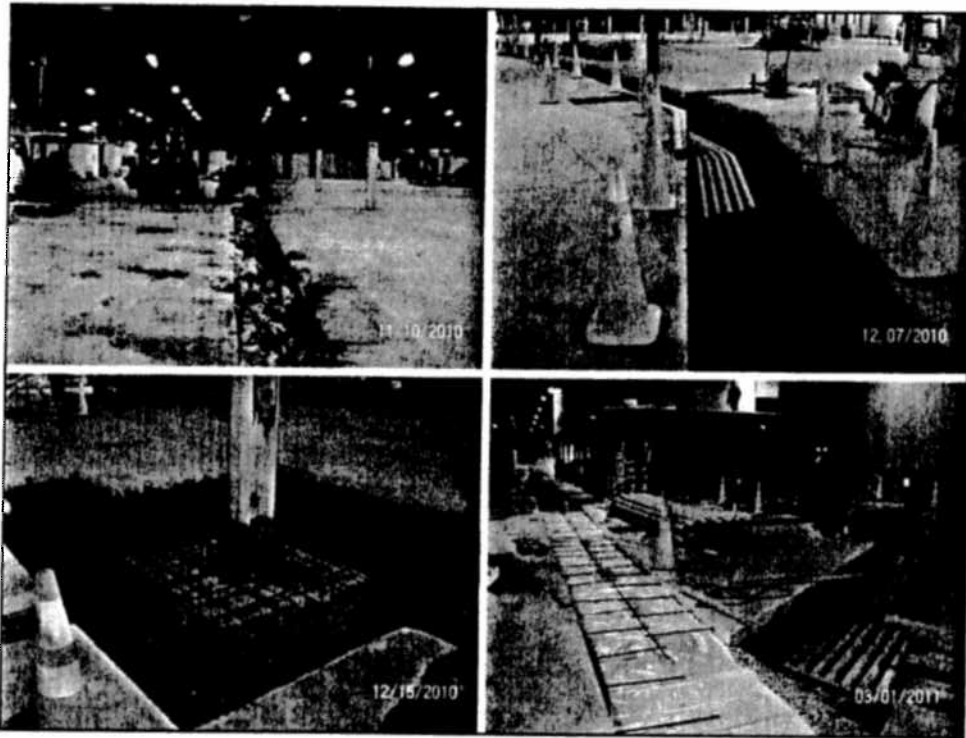
Expected completion of the facility will be in mid-2012. At this time, AFS will be producing and testing complete systems for customers at the facility.

AFS is in discussions with Connecticut Light and Power to bring additional high voltage power lines (10 megawatts) to the site to provide the necessary voltage for testing of the power electronics systems. In the future, an additional power (20 megawatts) will be brought to the facility as well.

June 5, 2011 | Newtown BOS

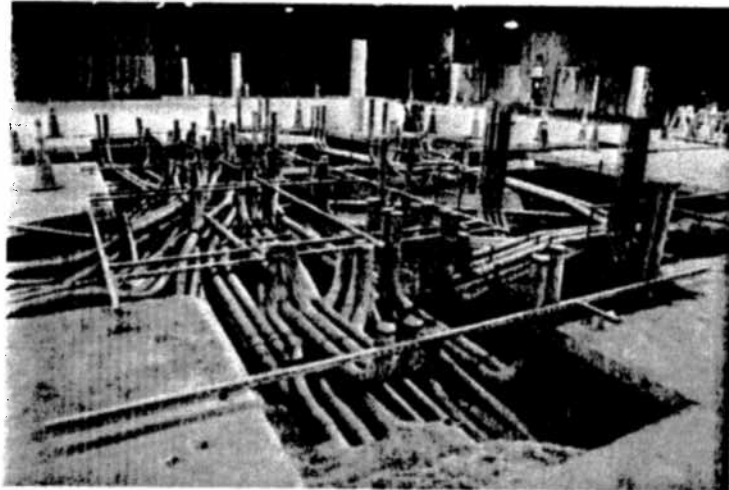
The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.





**Construction**

35,000+ ft of 4" conduit for electrical infrastructure



June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, replicated or released without prior written consent of Advanced Fusion Systems LLC.



## ***Economic Benefits to Date***

Prior to the purchase of the building by AFS, 11 Edmond Road had the potential to become a declining property for the town with limited prospects for re-development.

Revenues to the town will include building permits of over \$200,000, current annual real estate taxes of \$142,000 per year, on top of future improvement of town's property tax base.

AFS has made it's best efforts to hire vendors and services that are located in Newtown. Our project's general contractor is Claris Construction, a Newtown based design build firm.

It is estimated that our project will involve 200+ jobs during the construction phase.

AFS and Claris have had 30+ sub-contractors and vendors involved in the work.

To date, on peak construction days there may be 20-30 workers on site. The total number will increase as we begin the build out of the factory.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



## ***Future Economic Benefits***

An advanced manufacturing facility such as this has the potential to attract other high tech firms to the town. Numerous vendors and customers have expressed a desire to locate a presence close to the AFS facility once production and facility is up and running.

Based on our projections, AFS has the potential to bring 200+ highly skilled jobs to Newtown within 5 years. Jobs of this type will average about \$100,000 per year in salary plus benefits.

Our facility, after all renovations and modifications, will increase the tax base of Newtown. Prior to our purchase of the facility in September 2010, the existing building was a top ten tax revenue source for the town.

Initial investment in the facility and equipment is estimated to be \$50 million by 2013. Included in this figure are various startup costs, purchase of intellectual property, and costs associated with upgrading the utility services for the facility.

With intended municipal infrastructure investments such as a new underground gas service, existing and future businesses along Edmond Road will benefit.

Potential for future expansion beyond existing building in the near future should our feedback from potential customers concerning demand prove to be correct.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



### Financial Highlights

- Initial investment of \$25 million in equity capital has been raised to fund operations. An additional \$15 million in equity capital will be raised.
- Additionally, AFS will be seeking \$20 million in bank funding and/or government benefits within the next two years to fund operations, working capital, and buy equipment.
- Year 1 below is the first full year of operations once facility is completed in mid-2012.

Financial information from AFS assumptions. All dollar amounts are in thousands.

	Year 1	Year 2	Year 3
Estimated Revenues	\$1,700	\$74,800	\$370,750
Net Earnings	\$(7,464)	\$11,069	\$98,324

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



### Financial Highlights: Personnel

- Personnel estimates below from AFS assumptions
- AFS currently has 4 full time employees and 1 independent contractor

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales and Marketing	-	11	20	40	55
% of Total	0%	13%	13%	17%	17%
Average Annual Salary	\$ -	\$ 99,409	\$ 97,875	\$ 107,563	\$ 116,468
Research and Development	12	30	52	68	82
% of Total	40%	34%	34%	28%	26%
Average Annual Salary	\$ 95,625	\$ 90,900	\$ 94,500	\$ 104,168	\$ 112,799
Manufacturing	10	34	64	101	140
% of Total	40%	43%	46%	49%	51%
Average Annual Salary	\$ 76,236	\$ 69,286	\$ 67,556	\$ 73,238	\$ 77,324
General & Administration	8	9	11	15	19
% of Total	20%	10%	7%	6%	6%
Average Annual Salary	\$ 68,625	\$ 68,250	\$ 68,727	\$ 124,620	\$ 139,689
Manufacturing - Hourly	2	3	8	16	22
Total Personnel Count	30	87	155	240	318

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



### Construction Project

- Based on discussions with our contractors for 2010 tax purposes, AFS determined that much of the work that is being done on the building is above and beyond the type of work that would be done for general industrial use and to meet code requirements
- For tax purposes, AFS has elected to use these findings for determining how and what costs are capitalized or expensed
- The following forecasts are a reasonable projection from our analysis:
  - 5% of costs are repairs and demolition (expense)
  - 10% of costs are upgrades to building (39 Year Life)
  - 85% of costs are due to special needs (5 Year Life)

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



### Construction Project 2010 Breakdown of Costs

Construction - General	\$312,789.82
Construction - Design	\$192,027.59
Special Electrical	\$22,536.00
Demo/Renovations	\$423,842.36
<b>PROJECT TOTAL</b>	<b>\$951,195.77</b>

- \$423,842.36 was expensed due to classification as demolition and repairs
- Additional breakdown
 

Expense (12.8%)	\$67,501.24
Building Upgrades (10.0%)	\$52,735.34
Special Improvements (77.2%)	\$407,116.83
- 2010 Tax Returns were based on these assumptions

*Financial information is from un-audited records and for presentation purposes only.*

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



## Construction Project

### Project to Date Breakdown of Costs (6/1/2011)

Construction - General	\$2,087,588.54
Construction - Design	\$638,536.84
Fixtures	\$90,391.06
Special Electrical	\$434,980.50
Structural Steel	\$325,450.21
Demo/Renovations	\$484,143.74
Facilities Management	\$44,999.61
<b>PROJECT TOTAL</b>	<b>\$4,106,090.50</b>

- \$529,143.35 was expensed due to classification as demolition and repairs
- Additional breakdown using 2010 amounts
 

Expense (12.8%)	\$457,849.24
Building Upgrades (10.0%)	\$357,694.72
Special Improvements (77.2%)	\$2,761,403.20
- Above amounts include 2010 reported tax amounts

*Financial information is from un-audited records and for presentation purposes only.*

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



## Business Incentive Program

When selecting Newtown and Connecticut for the location of our facility, AFS expected to be free of property tax increase on the property improvements over a five year period at the municipal level and would benefit from an exempt from sales tax for project and equipment costs at a state level for manufacturing companies.

We're requesting a confirmation of these incentives.

Abatements and tax incentives will not cost the town or state funds from existing revenues. Other states offered more relief and money out of their pockets to help fund the project. However, grants take time to process, require auditing, and most important, other states had financial problems and therefore their promise would take more time and were less reliable. The CT tax incentives and the CEO's favorable view of the town led to the company's choice of locating in Newtown, Connecticut.

The gain for Newtown is the gain of a taxable building with ongoing improvements and added manufacturing equipment in place of a declining valuation on a building valued at \$6 million saddled with high debt, and facing the likelihood of being abandoned.

Building improvements and equipment classifications are used by AFS to determine the amount of specialized upgrades and installations vs property improvements for tax purposes. AFS will continue ongoing assessments with contractors to properly categorize these expenses.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



**William H. Joyce, Ph.D., Chairman and Chief Executive Officer**

Dr. Joyce is the retired former Chairman of the Board and Chief Executive Officer of Nalco Company, the leading provider of integrated water treatment and process improvement services, chemicals and equipment programs for industrial and institutional applications. He served in those roles at Nalco from 2003 to the end of 2007. When he joined Nalco he presided over the highest leveraged LBO at that time. From 2001 to 2003, Dr. Joyce was Chairman and Chief Executive Officer of Hercules, Incorporated, a global manufacturer of chemical specialties. He was recruited to save the company from bankruptcy. He was successful in turning the company around and drove a share appreciation of nearly three fold in his three years with the company. Prior to Hercules, Dr. Joyce was Chairman, President and Chief Executive Officer of Union Carbide Corporation from 1996 through 2001. At Union Carbide, Dr. Joyce led a 7½ year turnaround of the company gaining a share price appreciation of over 16 times. In 1999, Dr. Joyce presided over the sale of Union Carbide to Dow Chemical and served as Vice Chair of Dow Chemical until his departure. Dr. Joyce's has started seven new businesses, all long-term successes. He is responsible for the design of well over 100 plants around the world and capital projects as large as \$2.5 billion. He has established very successful joint ventures in Canada, Kuwait, Malaysia, and Japan. Dr. Joyce is the holder of several patents. Dr. Joyce has received numerous awards and honors. Dr. Joyce was selected as one of the 100 Most Successful Engineers of the Century by the American Institute of Chemical Engineers. He was awarded the National Medal of Technology from President Clinton in 1993.

Dr. Joyce has a B.S. in Chemical Engineering from Penn State University, an MBA with Distinction from New York University and a Ph.D. in Business from New York University. At graduation he received the McDowell Award as Outstanding Graduate Student relating to his doctoral studies at New York University. Presently, Dr. Joyce serves on the boards of a number of public companies. He also served as the Elected Chairman of the Society of Plastics Industry and on the Executive Board of the American Chemistry Council.

Dr. Joyce has been a resident of Newtown for 32 years.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



**Curtis Birnbach, Office of the Chairman, President, Chief Technology Officer**

Mr. Birnbach has spent a lifetime in applied science in the areas of electromagnetics, optics, electro-optics, electron tubes, pulse power systems and fusion technologies. Much of his work has been high technology work from the government. Mr. Birnbach is the inventor of the AFS X-ray laser, the EMP protection device, and other critical technologies that form the AFS intellectual property base. Most recently, Mr. Birnbach was president of Hudson Research, Inc., and was in charge of research, development, engineering and customer technical relations. Hudson Research Inc. is an FDA registered and UL-Listed medical devices manufacturer. Mr. Birnbach served seven years as Chairman of the Board, Senior Vice-president and Chief Scientist at Quantum Diagnostics Ltd., a public corporation. He also worked for several years as a director of research and development for Instrumentation Camera, as a product manager at Cooperheat, Inc, Director of General Engineering at Hypres Inc., and vice-president for N.J. Thermex Inc. Over the past 30 years he has been issued 18 US patents and 5 foreign patents and has more than 8 patents pending. His work in electromagnetics, electron tube technology, optical computing, and heteroepitaxial ferroelectric thin-films is highly regarded. He is a speaker, author, consultant, and subject matter expert on these topics.

Mr. Birnbach has a B.A. from the University of Miami.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.





**Robert Powell, Treasurer and Operating Partner**

Mr. Powell has a history as an entrepreneur and working with firms and investors to create and implement developed strategies to facilitate growth. Prior to joining AFS, Mr. Powell founded a consultancy firm, Gennaker Group, Inc., which provided capital advisory and valuation services to companies and investors. With Gennaker he worked with clients in the chemicals and oil and gas industries. Prior to founding Gennaker Group, Mr. Powell headed the marketing efforts for an alternative asset management firm in New York City. He held other positions within finance as an institutional sales trader and as an equity research associate for an energy technology focused investment bank. Prior to his roles in financial services, Mr. Powell was Managing Partner for a creative marketing and communications firm based San Francisco.

Mr. Powell has a B.A. in Communications from Loyola University Maryland and an MBA in Finance from Fordham University.

June 6, 2011 | Newtown BOS

The content of this document is CORPORATE INFORMATION and may not be disclosed, duplicated or released without prior written consent of Advanced Fusion Systems LLC.



RESOLUTION AMENDING A RESOLUTION PROVIDING FOR A SPECIAL APPROPRIATION IN THE AMOUNT OF \$4,257,690 FOR ROOF REPLACEMENT AT NEWTOWN MIDDLE SCHOOL AND AUTHORIZING THE ISSUANCE OF \$4,257,690 BONDS OF THE TOWN TO MEET SAID APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE

RESOLVED:

Section 1. Section 1 of the resolution entitled "Resolution Providing For A Special Appropriation In The Amount Of \$4,257,690 For Roof Replacement At Newtown Middle School And Authorizing The Issuance Of \$4,257,690 Bonds Of The Town To Meet Said Appropriation And Pending The Issuance Thereof The Making Of Temporary Borrowings For Such Purpose", approved at a Special Town Meeting held June 28, 2010, (the "Resolution") is hereby amended to expand the scope of the project to include replacement and/or extension of the HVAC and related electrical and architectural and work, related to the cafeteria, nurse/administrative office and computer rooms thereby making said Section read as follows:

"Section 1. The sum of \$4,257,690 is a special appropriation made pursuant to Chapter 6, Section 6-30 (a), (b) and (c) of the Town Charter of the Town of Newtown for the design and construction of the roof replacement at Newtown Middle School as authorized in the capital improvement program for the fiscal year ending June 30, 2011, including replacement and/or extension of the HVAC and related electrical and architectural work, and replacement of the skylights, electrical, duct, and ceiling, all related to the cafeteria, nurse/administrative office and computer rooms, and for administrative, financing, legal and costs of issuance related thereto (collectively, the "Project"), said appropriation to be inclusive of any and all State and Federal grants-in-aid thereof."

Section 2. Section 5 of the Resolution shall be applicable to the amendment made hereunder, as of the date of the adoption of this resolution.

Section 3. Section 8 of the Resolution shall be applicable to the amendment made hereunder

RESOLUTION AMENDING A RESOLUTION PROVIDING FOR A SPECIAL APPROPRIATION IN THE AMOUNT OF \$4,257,690 FOR ROOF REPLACEMENT AT NEWTOWN MIDDLE SCHOOL AND AUTHORIZING THE ISSUANCE OF \$4,257,690 BONDS OF THE TOWN TO MEET SAID APPROPRIATION AND PENDING THE ISSUANCE THEREOF THE MAKING OF TEMPORARY BORROWINGS FOR SUCH PURPOSE

RESOLVED:

Section 1. Section 1 of the resolution entitled "Resolution Providing For A Special Appropriation In The Amount Of \$4,257,690 For Roof Replacement At Newtown Middle School And Authorizing The Issuance Of \$4,257,690 Bonds Of The Town To Meet Said Appropriation And Pending The Issuance Thereof The Making Of Temporary Borrowings For Such Purpose", approved at a Special Town Meeting held June 28, 2010, (the "Resolution") is hereby amended by increasing the amount of the appropriation and bond authorization therein by \$969,610 from \$4,257,690 to \$5,227,300 and to expand the scope of the project to include (i) replacement of the red copper gutters corridor lighting, ceilings, and devices in work, and (ii) replacement and/or extension of the HVAC and related electrical and architectural work, and replacement of the skylights, duct, and ceiling, all related to the cafeteria, auditorium, principal/guidance office, nurse/administrative office, library and computer rooms, thereby making said Section read as follows:

"Section 1. The sum of \$5,227,300 is a special appropriation made pursuant to Chapter 6, Section 6-30 (a), (b) and (c) of the Town Charter of the Town of Newtown for the design and construction of the roof replacement at Newtown Middle School as authorized in the capital improvement program for the fiscal year ending June 30, 2011, including (i) replacement of the red copper gutters, corridor lighting, ceilings, and devices in work, and (ii) replacement and/or extension of the HVAC and related electrical and architectural work, and replacement of the skylights, duct, and ceiling, all related to the cafeteria, auditorium, principal/guidance office, nurse/administrative office, library and computer rooms, and for administrative, financing, legal and costs of issuance related thereto (collectively, the "Project"), said appropriation to be inclusive of any and all State and Federal grants-in-aid thereof."

Section 2. The first sentence of Section 2 of the Resolution is hereby amended by replacing the figure \$4,257,690 therein with the revised figure of \$5,227,300, thereby making said sentence read as follows:

"Section 2. To meet said appropriation, \$5,227,300 bonds of the Town, or so much thereof as shall be necessary for such purpose, shall be issued, maturing not later than the maximum maturity permitted by the General Statutes of the State of Connecticut, as amended from time to time (the "Connecticut General Statutes")."

Section 3. Section 5 of the Resolution shall be applicable to the appropriation and bond authorization added by this amendment, as of the date of the adoption of such amendment.

Section 4. Section 8 of the Resolution shall be applicable to the appropriation and bond authorization added by this amendment, as of the date of the adoption of such amendment.



**KAESTLE BOOS**  
associates, inc

June 8, 2011

Ms. E. Patricia Llodra  
First Selectman  
Town of Newtown  
3 Primrose Street  
Newtown, CT 06470

**Re: Newtown Middle School Reroof & Related Work  
Newtown, CT**

Dear Ms. Llodra:

It certainly is regrettable that the various estimates that were produced for this project fell below the actual contract base bid price. It is also regrettable that neither you nor the Finance Board had a copy of the final project estimate dated March 31, 2011. I am enclosing a copy of this estimate for your review and file. Kindly note that even at that late date, Alternates #8 and #9 were not contemplated and added to the final bid package later.

Prior to getting into the specifics, allow me to please explain how this project progressed from selection to today. The project initially included a study to determine the type of re-roofing system that would be in the Town's best long term interest. The roofing system selected offered a 20 year warrantee, met the requirements for State Department of Education reimbursement and provided a compatible surface for the future installation of a photovoltaic power generation system. Furthermore, it was clearly in the Town's interest to produce the bid documents in time for scheduling the roof replacement for this summer.

Early in January of this year we met with Mr. Robert Mitchell, Chairman of the Building and Site Commission (B&SC), and Mr. Bob Edwards and Mr. Tom Catalina, B&SC Sub-Committee, in my office to discuss procedures, expectations and scheduling. It was during this meeting that the wisdom of including HVAC for the Cafeteria and Auditorium was first discussed. In a subsequent follow on meeting later in January, we were also directed to include the HVAC replacement in both Administrative areas, the three Computer Rooms and the Library. Although this additional design work represented a considerable scope change, we possessed the resources to complete it within the schedule and proceeded on a so-called "fast track" basis. Fast tracking essentially sees the design evolve along with the documentation. The budgetary process follows along and is adjusted as the documents near completion. I, therefore, respectfully request that you rely on the enclosed project estimate dated 3/31/11 for review purposes.

Our final Base Bid Estimate was \$2,472,548.00 which is \$510,452.00 below the low base bid submitted by Silktown Roofing. In reaction to this differential between our estimate and actual cost we met with Silktown Roofing Wednesday 6/1/11 to determine estimate anomalies. We found the following:

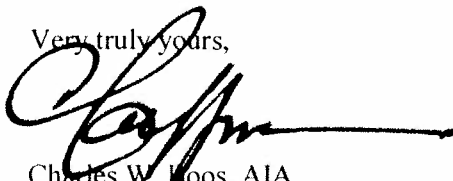
1. Roof Deck Replacement Allowances @ \$68,000.00. Included in the base bid but not in our estimate. This allowance will be returned in whole or in part to the Owner depending upon the need to replace deteriorated decking.

2. We literally learned about the presence of PCB's in the existing roofing materials just prior to going to bid. \$60,000.00 was carried for abatement and disposal of PCB's.
3. The new Roof Canopy at the Southeast corner of the original building was a late change in the project scope. After the estimate was completed we discovered that the site work associated with the new canopy included an area of existing paving designated as handicapped parking. A site survey confirmed that this area was non-compliant regarding cross slope requirements. Rather than ignore this issue, our documents included the necessary alterations to the site. The difference between the site work estimate and it's cost as bid amounted to \$53,000.00
4. On past projects we have always budgeted \$2,000.00 for each roof drain replaced. Silkton carried \$230,000.00 which was the lowest plumbing bid that they received. They didn't have a ready explanation for this, but did speculate upon the expected difficulty of working with and around the heavy metal roof decking. The differential between our estimate and the bid is \$130,000.00.
5. The relocation and/or abandonment of existing roof fans and associated power wiring was estimated to cost \$47,000.00. Silkton reports that the actual cost is \$125,000.00 for a difference of \$78,000.00.
6. Silkton also reported a structural steel bid of \$95,000.00 as compared to \$14,000.00 estimated for a difference of \$81,000.00. Our original estimate did not include the necessary structural repairs to the lintel at the new roof canopy because this issue surfaced just prior to going to bid.

The above amounts to an additional \$470,000.00 of cost not carried in our estimate which leaves another \$40,452.00 spread throughout the rest of the work. I think that although it is not quantifiable, the pressure to complete this large re-roofing project within the limited time available cannot help but influence the contractor's Risk/Benefit equation. During the scope review meeting Silkton stated the need to engage three separate roofing crews to complete the work on time.

It is my hope that you will recognize the effort put forth by both the design team and the Building and Site Commission to develop a comprehensive project that addresses relevant needs and the correction of existing building deficiencies that are related to the re-roofing of this building. Time was of the essence and through our collective efforts; bids were obtained in time to allow this project to proceed this summer.

Very truly yours,



Charles W. Hoos, AIA  
*Principal-in Charge*

**KAESTLE BOOS ASSOCIATES, INC.**

CWB:bc

Enclosure

c: Bob Edwards  
Bob Mitchell

**MIDDLE SCHOOL ROOF:****BORROWING TO DATE = 2,005,000****BASE BID + ALTERNATE #9**

BASE BID	2,983,000		
ALTERNATE #9	94,000		
BONDING	40,000		
CLERK	25,000		
FEES	207,502	Fees made to equal amount in option B	
SUBTOTAL	<u>3,349,502</u>		
CONTINGENCY	302,188	Contingency made to equal amount in option B	
GRAND TOTAL	<u>3,651,690</u>		
STATE REIMBURSEMENT	(960,000)		
NET COST	<u>2,691,690</u>	<b>SAY 2,700,000</b>	<b>= 700,000 ADD'L BONDING</b>

**OPTION B**

BASE BID	2,983,000		
ALTERNATES 2,5,7 & 9	700,000		
BONDING	40,000		
CLERK	25,000		
FEES	207,502	5.63%	
SUBTOTAL	<u>3,955,502</u>		
CONTINGENCY	302,188	10% contingency was reduced by 92,812 (=8.2%) to make grand total = appropriation amount	
GRAND TOTAL	<u>4,257,690</u>		
STATE REIMBURSEMENT	(960,000)		
NET COST	<u>3,297,690</u>	<b>SAY 3,300,000</b>	<b>= 1,300,000 ADD'L BONDING</b>

**OPTION A**

BASE BID	2,983,000		
ALTERNATES 1 THRU 9	1,454,300		
BONDING	40,000		
CLERK	25,000		
FEES	250,000	5.63%	
SUBTOTAL	<u>4,752,300</u>		
CONTINGENCY	475,000		
GRAND TOTAL	<u>5,227,300</u>		
STATE REIMBURSEMENT	(960,000)		
NET COST	<u>4,267,300</u>	<b>SAY 4,250,000</b>	<b>= 2,250,000 ADD'L BONDING</b>

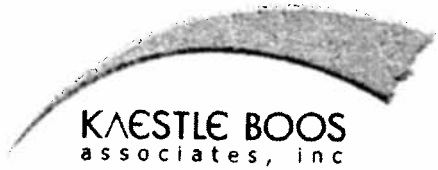
## NEWTOWN MIDDLE SCHOOL ROOF

### OPTION A

BASE BID	\$2,983,000
ALL OF THE ALTERNATES	<u>+\$1,454,300</u>
<b>SUBTOTAL:</b>	<b>\$4,437,300</b>
ALLOCATED SOFT COSTS	<u>+\$ 790,000</u>
<b>PROJECT GRAND TOTAL:</b>	<b>\$5,227,300</b>
CURRENT BOND	<u>- \$4,257,690</u>
SHORTFALL	\$ 969,610

---

<b>PROJECT COST</b>	<b>\$5,227,300 +/-</b>
REIMBURSEMENT @ 33%+/-	<u>- \$ 960,000 +/-</u>
<b>ACTUAL COST:</b>	<b>\$4,267,300 +/-</b>



# NEWTOWN MIDDLE SCHOOL ROOF

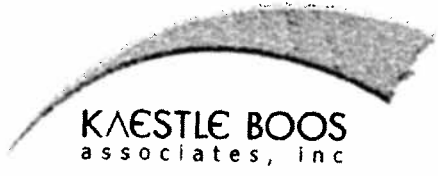
## OPTION B

BASE BID	\$2,983,000
ALTERNATES 2, 5, 7 & 9	<u>+\$ 700,000</u>
<b>SUBTOTAL:</b>	<b>\$3,683,000</b>
ALLOCATED SOFT COSTS	<u>+\$ 574,690</u>
<b>PROJECT GRAND TOTAL:</b>	<b>\$4,257,690</b> (Current Bond)

---

<b>PROJECT COST</b>	<b>\$4,257,690 +/-</b>
REIMBURSEMENT	<u>- \$ 960,000 +/-</u>
<b>ACTUAL COST:</b>	<b>\$3,297,690 +/-</b>





# NEWTOWN MIDDLE SCHOOL ROOF

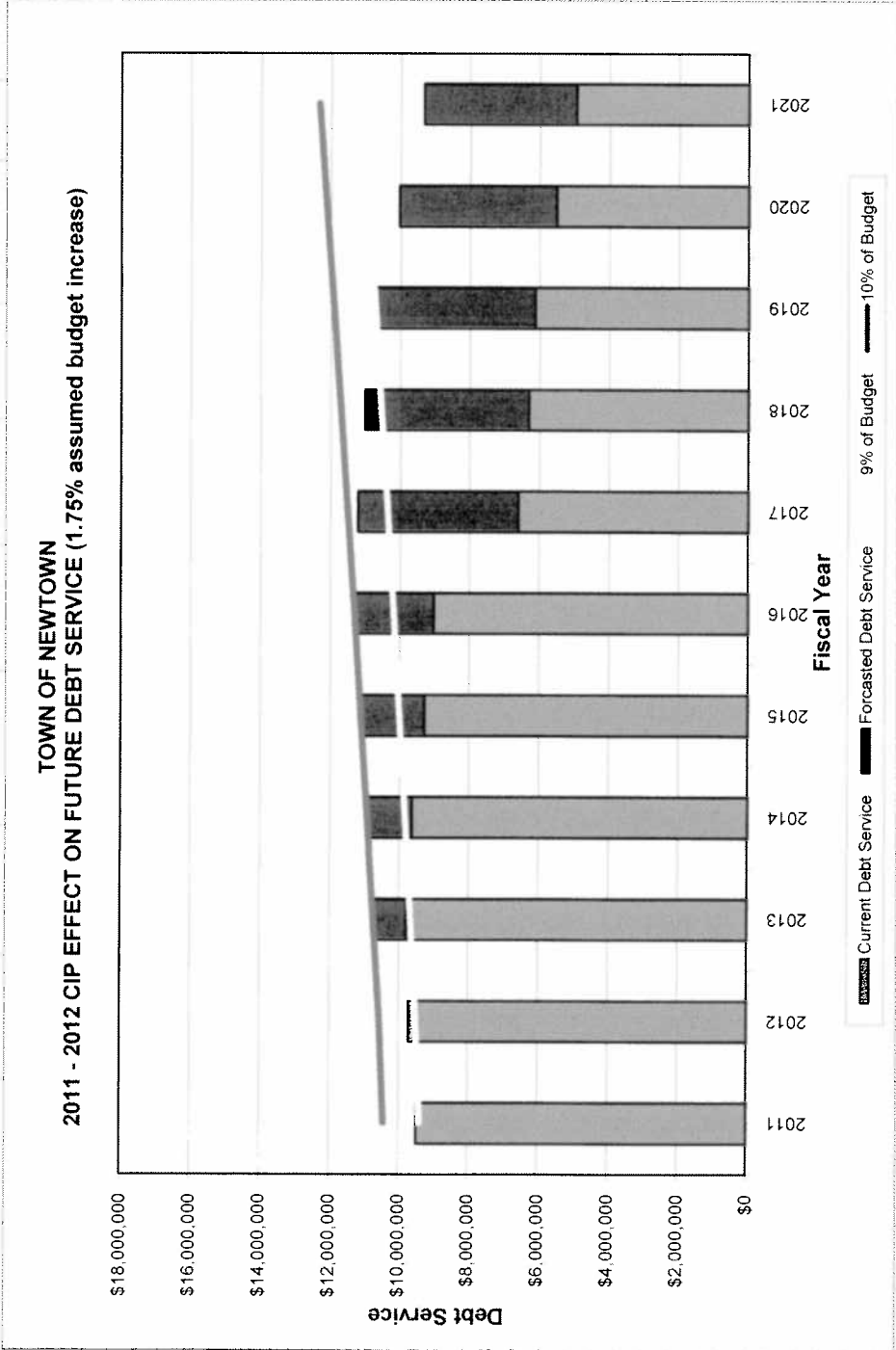
## ALTERNATES

- |    |   |           |
|----|---|-----------|
| 1. | SYNTHETIC SLATE ON PITCHED ROOF   | \$ 42,000 |
| 2. | CAFETERIA SKYLIGHT REPLACEMENT<br>AND HVAC SYSTEM EXTENSION                               | \$366,000 |
| 3. | AUDITORIUM HVAC REPLACEMENT AND<br>RELATED DUCT / CEILING WORK                            | \$395,000 |
| 4. | PRINCIPAL/GUIDANCE OFFICE HVAC<br>REPLACEMENT AND RELATED<br>DUCT / CEILING WORK          | \$127,300 |
| 5. | NURSE/ADMINISTRATION HVAC<br>REPLACEMENT AND RELATED<br>DUCT / CEILING WORK               | \$155,000 |
| 6. | LIBRARY HVAC REPLACEMENT AND<br>RELATED DUCT / CEILING WORK                               | \$180,000 |
| 7. | COMPUTER ROOMS REPLACEMENT OF<br>HVAC IN TWO ROOMS AND EXTEND TO<br>THIRD (10 ROOM UNITS) | \$ 85,000 |
| 8. | RED COPPER GUTTER REPLACEMENT<br>AT PITCHED ROOF  | \$ 10,000 |
| 9. | REPLACE EXISTING CORRIDOR<br>LIGHTING, CEILINGS, AND DEVICES<br>IN WORK                   | \$ 94,000 |

BASE

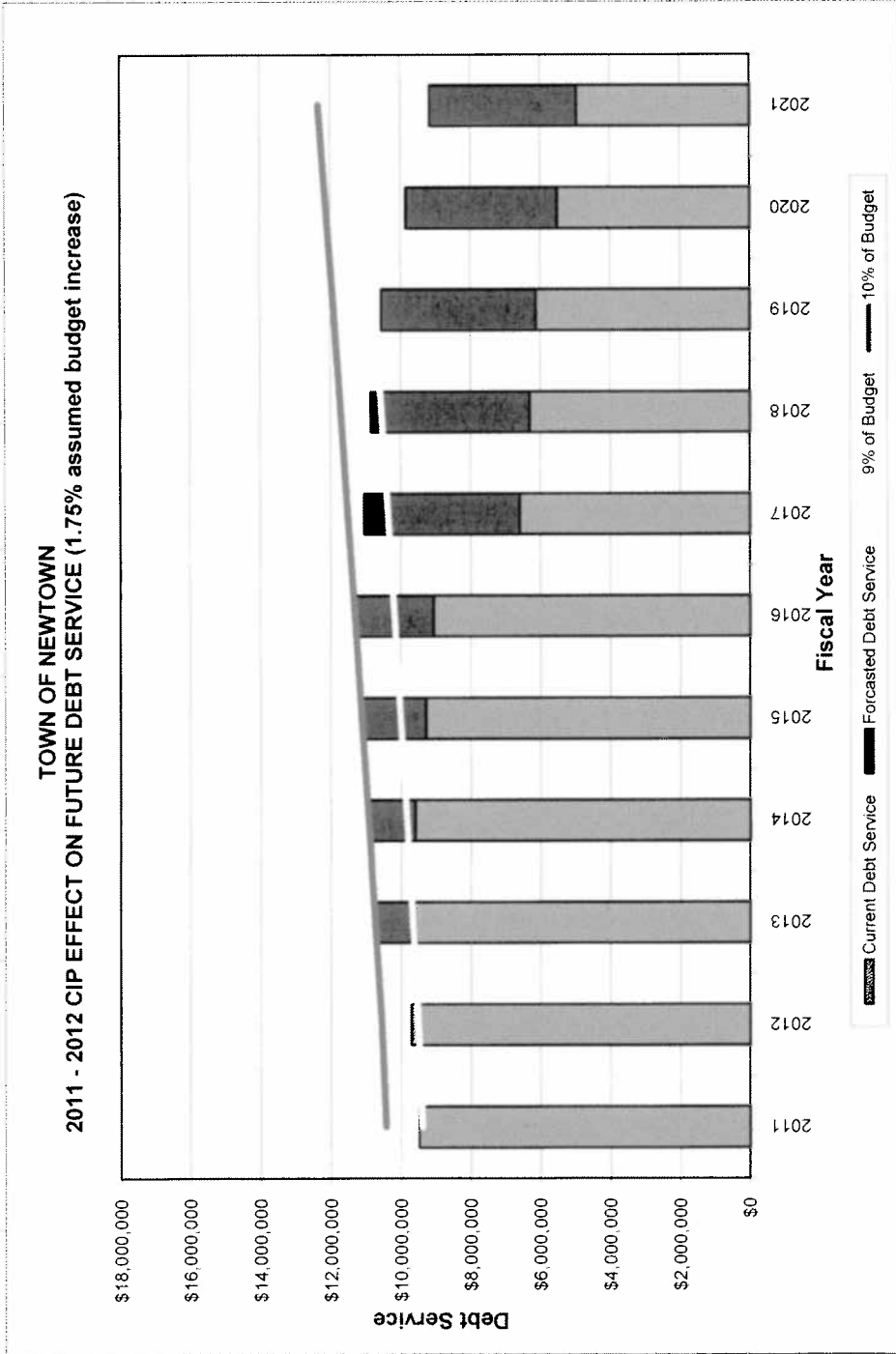


**ASSUMING A 2.24% BUDGET INCREASE (A COMBINATION OF INCREASE IN GRAND LIST AND INCREASE IN MILL RATE):**





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



**TOWN OF NEWTOWN**  
**LEGISLATIVE COUNCIL APPROVED CIP (2011 - 2012 TO 2015 - 2016) - APRIL 26, 2011**

RANK	2011 - 2012 (YEAR ONE)			Proposed Funding			
		Amount Requested		Bonding	Grants	General Fund	Other
<b>BOARD OF SELECTMEN</b>							
1	Bridge Replacement (Poverty Hollow Road)	PW	430,000	430,000			
1	Capital Road Program	PW	1,500,000			1,500,000	
2	Newtown H & L Fire House Construction	FIRE	500,000	500,000			
3	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000			
4	FFH Infrastructure	FFH	350,000	350,000			
<b>BOARD OF EDUCATION</b>							
1	Hawley HVAC Renovations - Design	BOE	350,000	350,000			
			<b>3,330,000</b>	<b>1,830,000</b>	-	<b>1,500,000</b>	-
RANK	2012 - 2013 (YEAR TWO)			Proposed Funding			
		Amount Requested		Bonding	Grants	General Fund	Other
<b>BOARD OF SELECTMEN</b>							
1	Bridge Replacement (Brushy Hill Road)	PW	315,000	315,000			
1	Capital Road Program	PW	1,500,000			1,500,000	
2	Newtown H & L Fire House Construction	FIRE	500,000	500,000			
3	Dickinson Playground / Sprayground	P & R	750,000	750,000			
3	Dickinson Park Bath House / Concession Stand	P & R	-	-			
4	Infrastructure Renovations Treadwell Park	P & R	350,000	350,000			
5	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000			
<b>BOARD OF EDUCATION</b>							
1	Hawley HVAC Renovations - Phase I	BOE	3,000,000	3,000,000			
2	High School Auditorium Improvement Project	BOE	100,000	100,000			
			<b>6,715,000</b>	<b>5,215,000</b>	-	<b>1,500,000</b>	-
RANK	2013 - 2014 (YEAR THREE)			Proposed Funding			
		Amount Requested		Bonding	Grants	General Fund	Other
<b>BOARD OF SELECTMEN</b>							
1	Bridge Replacement (Meadow Brook Road)	PW	355,000	355,000			
1	Capital Road Program	PW	1,500,000			1,500,000	
2	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000			
2	Newtown H & L Fire House Construction	FIRE	500,000	500,000			
3	FFH Sidewalks, Roads & Storm Drains	FFH	450,000	450,000			
4	FFH Utility Infrastructure Phase I	FFH	300,000	300,000			
5	Open Space Acquisition Program	LAND USE	1,500,000	1,500,000			
6	Addition To Fire House Sub-Station	FIRE	375,000	375,000			
-	Artificial Turf Replacement at Treadwell Field	P & R	500,000				500,000
<b>BOARD OF EDUCATION</b>							
1	Hawley HVAC Renovations - Phase II	BOE	2,200,000	2,200,000			
2	Middle School Improvements Project - Design	BOE	630,000	630,000			
3	High School Auditorium Improvement Project	BOE	1,339,338	1,339,338			
			<b>9,849,338</b>	<b>7,849,338</b>	-	<b>1,500,000</b>	<b>500,000</b>
RANK	2014 - 2015 (YEAR FOUR)			Proposed Funding			
		Amount Requested		Bonding	Grants	General Fund	Other
<b>BOARD OF SELECTMEN</b>							
1	Bridge Replacement (Jacklin Road)	PW	265,000	265,000			
1	Capital Road Program	PW	1,500,000			1,500,000	
2	FFH Walking Trails Phase II	FFH	250,000	250,000			
3	Replacement of Fire Tankers (2)	FIRE	700,000	400,000			300,000
4	Open Space Acquisition Program	LAND USE	1,000,000	1,000,000			
5	Community Center Design Phase	P & R	700,000	700,000			
6	Sandy Hook Streetscape Program	ECON DEV	200,000	200,000			
<b>BOARD OF EDUCATION</b>							
1	Hawley HVAC Renovations - Phase III	BOE	1,600,000	1,600,000			
2	Middle School Improvements Project - Phase I	BOE	2,070,000	2,070,000			
			<b>8,285,000</b>	<b>6,485,000</b>	-	<b>1,500,000</b>	<b>300,000</b>
RANK	2015 - 2016 (YEAR FIVE)			Proposed Funding			
		Amount Requested		Bonding	Grants	General Fund	Other
<b>BOARD OF SELECTMEN</b>							
1	Bridge Replacement (one bridge)	PW	414,000	414,000			
1	Capital Road Program	PW	1,500,000			1,500,000	
2	Replacement of Fire Tanker (#9) & Engine (#111)	FIRE	975,000	800,000			175,000
3	Open Space Acquisition Program	LAND USE	1,000,000	1,000,000			
4	FFH Building Demolition	FFH	6,000,000	6,000,000			
5	FFH Complete Walking Trails	FFH	515,000	515,000			
6	Community Center Construction Phase	P & R	10,000,000	10,000,000			
7	Bath House/Concession Stand at Eichlers Cove	P & R	425,000	425,000			
8	Police/Communications Facility	POLICE	800,000	800,000			
9	Newtown Technology Park	ECON DEV	815,000	725,000	90,000		
10	Hawleyville Sewer Extension	ECON DEV	5,000,000				5,000,000
<b>BOARD OF EDUCATION</b>							
1	Middle School Improvements Project - Phase II	BOE	4,321,000	4,321,000			
			<b>31,765,000</b>	<b>25,000,000</b>	<b>90,000</b>	<b>1,500,000</b>	<b>5,175,000</b>
<b>GRAND TOTALS</b>			<b>59,944,338</b>	<b>46,379,338</b>	<b>90,000</b>	<b>7,500,000</b>	<b>5,975,000</b>

## Minimum Budget Requirement

There are some changes to the Minimum Budget Requirement (MBR). **For FY2012, the MBR will be the FY2011 municipal appropriation for education plus any federal ARRA amount sent directly to the board of education. The MBR can be reduced for districts that have a reduction in enrollment, as long as the total budget is not reduced by more than 0.5% of FY2011 budget. The reduction amount would be \$3,000 times the decrease in the number of students.** Districts that have not made adequate yearly progress (AYP) cannot reduce the MBR. In addition, **a district that permanently closes one or more schools may reduce its MBR in addition to the reduction from lower enrollment numbers.** The State Commissioner of Education must approve the amount of the reduction.

For example:

The FY 2012 appropriation for education is \$67,971,427

½ of 1% of that number is \$33,6572.12

One possible outcome of the change in the MBR statute (HB6651) is that fiscal 2012 appropriation sets the foundation for fiscal 2013 appropriation for education with any reduction limited to the \$3000 per student enrollment decrease and no larger than ½ of 1% (\$33,6572.12).

**TOWN OF NEWTOWN  
 APPROPRIATION (BUDGET) TRANSFER REQUEST**

Att. L

FISCAL YEAR 2010 - 2011 DEPARTMENT Public Works DATE 5/24/11

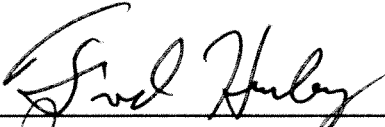
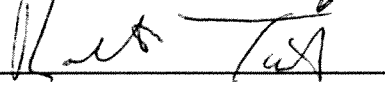
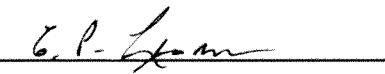
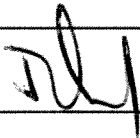
	<u>Account</u>	<u>Amount</u>	
FROM:	01650-1006 BENEFITS	(606.00)	USE NEGATIVE AMOUNT ↓
	01650-2017 FUEL OIL (Heat)	(25,350.00)	
TO:	01650-2011 SUPPLIES	3,600.00	USE POSITIVE AMOUNT ↓
	01650-2021 SEWER ASSESSMENT	606.00	
	01650-4001 CONTRACTUAL CUSTODIAN	17,750.00	
	01650-4060 CONTRACTUAL SERVICES	4,000.00	

**REASON:** New employees budgeted for building maintenance in the new municipal center were not hired and the work was handled by outside contractors with in-house support. Operating costs for heat (fuel oil) were lower than estimated due to lower consumption for the municipal center and lower pricing for natural gas. Supplies, contractual custodian and other contracted services were higher due to the shift to full operation outside of warranties.

	<u>Account</u>	<u>Amount</u>
FROM:	01515-2018 BUILDING ELECTRIC	(3,000.00)
	.	
	.	
TO:	01515-1003 OVERTIME	3,000.00
	.	
	.	

**REASON:** Estimated savings in Landfill overtime account were over estimated. However, savings of \$12,000 have been realized. After this adjustment the adjusted budget would be \$12,000. The budget amount in the last two budget years was about \$24,000.

**AUTHORIZATION:**

(1) DEPARTMENT HEAD		date: 5/24/11
(2) FINANCE DIRECTOR		5/25/11
(3) SELECTMAN		6/6/11
(4) BOARD OF SELECTMEN		
(5) BOARD OF FINANCE		6-13-11
(6) LEGISLATIVE COUNCIL		

AUTHORIZATION SIGN OFF

FIRST 335 DAYS >>>>WITH IN A DEPT.>>>>LESS THAN \$50,000>>>> (1), (2) & (3) SIGNS OFF; MORE THAN \$50,000>>>> (1), (2), (3) & (5)  
 >>>>ONE DEPT TO ANOTHER>>>>LESS THAN \$200,000>>>>ALL EXCEPT (6); MORE THAN \$200,000>>>>ALL SIGN OFF  
 AFTER 335 DAYS >>>>(1), (2), (3), (5) & (6) ANY AMOUNT FROM CONTINGENCY>>>> ALL SIGN OFF



**TOWN OF NEWTOWN  
APPROPRIATION (BUDGET) TRANSFER REQUEST**

Att. M

FISCAL YEAR 2010 - 2011 DEPARTMENT Public Works DATE 5/24/11

	<u>Account</u>	<u>Amount</u>	
FROM:	01515-4025 CONTRACTUAL SERVICES	(15,000.00)	USE NEGATIVE AMOUNT ↓
	01650-2017 FUEL OIL (Heat)	(4,650.00)	
	01570-2000 CONTINGENCY FUND	(21,380.00)	
TO:	01510-1003 OVERTIME	5,538.00	USE POSITIVE AMOUNT ↓
	01510-2032 SALT	35,492.00	

**REASON:** This is the last request for transfers relating to winter maintenance and the bad weather we had this year. Budget amounts are available in Landfill Contractual Services due to lower costs on contracts related to garbage and recyclable materials tip fees. Fuel savings were realized from reduced expenditures in building heat both from lower than anticipated consumption in the municipal center and lower pricing for natural gas.

	<u>Account</u>	<u>Amount</u>
FROM:	01500-1003 PAYROLL	(25,000.00)
	01500-4065 CONTRACTUAL - ROADSIDE	(25,000.00)
	01570-2000 CONTINGENCY FUND	(46,500.00)
TO:	01500-1004 OVERTIME	7,500.00
	01500-3050 REPAIRS	79,000.00
	01500-2016 EQUIPMENT FUEL	10,000.00

**REASON:** Request for additional budget amounts in repairs and equipment fuel relate to the effect the winter had on our equipment and the additional equipment fuel needed for the additional snow runs. Amount available in payroll due to workers out on worker's compensation and disability. Amount available in contractual roadside due to postponement of program and work handled in house.

**AUTHORIZATION:**

(1) DEPARTMENT HEAD

*Fred W. Hurley*

date: 5/25/11

(2) FINANCE DIRECTOR

*Robert [unclear]*

5/26/11

(3) SELECTMAN

*[Signature]*

6/6/11

(4) BOARD OF SELECTMEN

*[Signature]*

(5) BOARD OF FINANCE

*[Signature]*

6.13.11

(6) LEGISLATIVE COUNCIL

\_\_\_\_\_

AUTHORIZATION SIGN OFF

FIRST 335 DAYS >>>>WITH IN A DEPT.>>>>LESS THAN \$50,000>>>> (1), (2) & (3) SIGNS OFF; MORE THAN \$50,000>>>> (1), (2), (3) & (5)  
 >>>>ONE DEPT TO ANOTHER>>>>LESS THAN \$200,000>>>>ALL EXCEPT (6); MORE THAN \$200,000>>>>ALL SIGN OFF  
 AFTER 335 DAYS >>>>(1), (2), (3), (5) & (6) ANY AMOUNT FROM CONTINGENCY>>>> ALL SIGN OFF