

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE BOARD OF FINANCE

The Board of Finance held their regular meeting on Thursday, February 20, 2014 in the Council Chambers at the Municipal Center, 3 Primrose Street, Newtown, CT. Chairman John Kortze called the meeting to order at 7:57pm.

Present: John Kortze, Harry Waterbury, Joseph Kearney, James Filan, John Godin, Mike Portnoy.

Absent: NONE

Also Present: First Selectman Pat Llodra, Director of Finance Bob Tait, 45 members of the public and one member of the press.

NEW BUSINESS

Selectman Budget Presentation: Mrs. Llodra presented the Board of Selectman budget of \$39,141,519(Attachment A). The Board of Selectman summary has two main parts, the operational costs and the debt services. One of the burdens that the BOS carries is the total cost of all the town debts. Total municipal services is a decrease of \$167,074 but to balance the increase in the debt, the proposed budget is increased by \$116,996 (.30%).

Mrs. Llodra discussed the percentage increase/decrease in municipal services since 2008 is a .5% increase.

Wages and salaries – this year there is a 1.75% increase in all of the negotiated contracts, which is less than the cost of living. The level of wages are not competitive. The Town is beginning to lose some key employees that are being recruited by other municipalities. The Town needs to position themselves to have quality employees. There are 15 unfunded positions for a total of \$786,000. There are still three union contracts have not been negotiated. Medical benefits are a 4% increase which is modest since they are self insured. If it was premium based insurance, it could be as much as 10%.

The principal balance for the debt services is \$77 million and the interest cost is \$18 million, healthy debt but manageable. The effort they have to put in a series of best practices to achieve a AAA rating for bonds which will save us over the years (Attachment B). We have increased the fund balance. When the Sandy Hook tragedy occurred, there were millions of dollars in costs that came up immediately; the fund balance was used for the costs with the anticipation of the grants. It is a savings account for a disaster or tragedy. Mr. Kortze asked if there are any additional additions to the budget on the BOS and the BOE budgets. Mr. Tait replied that there will be additional costs for medical which is about \$400,000 which would be

about \$100,000 for the BOS and \$300,000 for the BOE (Attachment C). The other addition will be security.

Having no further business, the meeting was adjourned at 8:47pm

Respectfully Submitted,
Arlene Miles, Clerk

Attachment A – BOS Budget Presentation

Attachment B – Bond Rating Reports

Attachment C – Memo /health insurance reserve fund contributions

RE: Newtown BOE/ Town Health insurance Reserve fund contributions

To: Dr. John Reed , Schools Superintendent; Patricia Llodra, First Selectman; Bob Tait, Finance Director, Ron Bienkowski, BOE Business Director; Joe Spurgeon, Insurance consultant

Cc: John Kortze, Chair, Board of Finance; Mary Ann Jacob, Chair, Legislative Council; Debbie Leidlin, Chair, Board of Education; Jim Loring, Dan MacAloon, Donna Van Waaljik, Paul Smith

Date: February 11, 2014

I wish to share the results of the Employee Medical Benefits Board '14-'15 Health Insurance Reserve Fund determination. This determination is based on several factors, including but not limited to:

1. First, and foremost, the ordinance which created this board and governs its goals and actions
2. Current enrollment, past enrollment, and enrollment projections for plan participation during the 2014-2015 plan year
3. Negotiated Benefits provided under the health plans.
4. Medical trend, which is the inflation that is realized for medical insurance costs. While this has been historically low over the last 36 months, it is increasing, and will likely not remain as low as it has been.
5. Fluctuation of the reserve fund over time
6. Support for the flexibility to be able to choose to opt out of a self-funded platform, if desired at a future point in time.
7. Anthem's renewal calculation for the 2014-2015 plan year
8. The insurance industry expertise of the members of this board.

Reserve Fund Balance as of June 30			
2012	2013	2014	2014 reserve, plus additions
\$2,339,622	\$2,266,439	\$2,296,439	\$2,696,000
audited	audited	Forecast (as of 2/10/14)	400,000 of additions

Additional contributions required for the 2014-2015 plan year: \$400,000*

It is our determination that the current apportionment of costs between the BOE and town of Newtown is sufficient, in that the school employees represent approximately 76% of plan participants, and as such, contribute 76% of the plan costs. The Town, representing approximately 24% of the plan participants, share 24% of the plan costs.

We expect you will use the budget process to allocate these dollars, to sustain the soundness of this program over the next plan year. If you have significant changes to projections for plan participation or benefit levels, please let us know. Please feel free to contact me with any questions or concerns.

Respectfully,

Mark Mattioli, Chair, Employee Medical Benefits Board

* This is based on the boards' determination that the renewal provided on 2/10/14 was a worst case scenario. It projects '14-'15 plan costs of \$15.091 million, and recommends a reserve of \$3.509 million. If we used this renewal as the only basis, we would need to add \$1.2 million to the reserves. On 2/24, the insurance consultant will provide an updated renewal projection adding in the latest two months of claims, and perhaps there will be some nominal reductions in the administrative costs. I expect the updated renewal to project reserve additions closer to \$700-\$800k. We voted to deliver you the guidepost recommendation of \$400,000, to assist you in budgeting and move the reserve in the right direction to protect the health program and its participants. Please consider the \$400,000 recommendation as a floor.

SELF-FUNDED HEALTH INSURANCE FUND AND COMMITTEE ORDINANCE

§ 1 Title

This article shall be known and may be cited as the "Self-Funded Health Insurance Fund and Committee Ordinance".

§ 2 Creation of Fund and Committee

The Town of Newtown, hereinafter referred to as the "Town", by this Ordinance, authorizes the creation of the "Self-Funded Health Insurance Fund," hereinafter referred to as the "Fund," whose purpose is described below; and also authorizes the creation of the "Self-funded Health Insurance Fund Committee," hereinafter referred to as the "Committee" whose responsibilities are described below.

§ 3 Purpose of Fund

The purpose of this Fund is to hold funds to pay claims made by municipal and School District employees of the Town as required in fulfilling employee health insurance obligations of the Town of Newtown, and other such liabilities relating to those claims and obligations.

§ 4 Partner or Partners

For the purposes of this Ordinance it is the intention of the Town of Newtown to have the Board of Selectman and Board of Education, work collaboratively as "partner" or "partners," in connection with the Fund and the benefits paid by the Fund pursuant to the above paragraph.

§ 5 Responsibilities of the Committee

The Committee Shall:

- a. Serve the interests of the Municipal and Education departments of the Town.
- b. Recommend the level of annual or other contributions to the Fund by the Town and apportionment to each of the Partners, in consultation with the insurance consultant in his work with the insurance provider.
- c. Serve as an information bridge between the town insurance consultant and the Partners.
- d. Work with the Town and the insurance consultant as needed in any matters pertaining to health benefits.

§ 6 Members of Committee; Appointment; Terms of Office

- a. There shall be three volunteer members of the Committee, with a preference for those who have relevant expertise and knowledge in finance, healthcare, and/or insurance.
- b. Members shall be appointed by the First Selectman with the approval of the Board of Selectmen to serve a three year term. Initially, the First Selectman shall appoint one member for a one year term, one member for a two year term and one member for a three-year term.
- c. There shall be two alternates each appointed for a two-year term. The term of the alternates shall run from January 1 of the even year through December 31 of the ensuing year. If a regular member of the Committee is absent, the Chairman of the Committee shall designate an alternate to act in the absent

SELF-FUNDED HEALTH INSURANCE FUND AND COMMITTEE ORDINANCE

member's place, choosing the alternates in rotation so that they shall act as nearly equal a number of times as possible.

§ 7 Chairman; Clerk.

- a. The Committee shall elect a Chairman, to serve for a term of one year.
- b. The Chairman shall preside at meetings and public hearings.
- c. The Committee shall utilize a clerk whose responsibility is the taking of minutes at all meetings, typing and filing the same, and performing all other clerical or recording services for the Committee.

§ 8 Meetings

- a. The Committee shall meet quarterly and at other times as the Chairman deems necessary.
- b. The Chairman shall prepare an agenda prior to each meeting and distribute a copy to each Committee member.

§ 9 Self-Funded Health Insurance Fund

- a. The Fund exists only to pay healthcare claims and related expenses of the plan and shall not be used for any other purpose.
- b. The Fund will build a reasonable (not to exceed three months of payments) balance to ensure that claims of covered employees can be paid during a high claim year.
- c. Investments of the Fund balance will be made in accordance with the Town's investment policy.
- d. In the event the Fund is terminated, any balance shall revert back to the general fund of the Town (after all self insurance claims have been paid) and shall be used to defray the Partners' future health insurance costs and obligations.
- e. The Fund shall continue year to year without lapsing unless terminated by the Town.

§ 10 Severability

The provisions of this ordinance are declared to be severable and the invalidity of any portion thereof shall not affect the validity of the remainder.

Adopted by the Legislative Council January 19, 2011

TOWN OF NEWTOWN BOARD OF SELECTMEN BUDGET PROPOSAL 2014 – 2015

BUDGET TALKING POINTS (refer to budget summary on next page)

***** BOARD OF SELECTMEN PROPOSED 2014-15 BUDGET = \$39,141,519; REPRESENTS AN INCREASE OF \$116,996 (0.30%) OVER 2013-14 AMENDED BUDGET**

- **WAGES & SALARIES** – decrease of (\$16,699)
 - 1.75% salary increases (salary increase history hand out).
 - No contract for 3 unions (communications, police & parks and recreation).
 - Salary increases are offset by three unfilled positions that are unfunded in this budget proposal.
 - 1 – Communications; 1 – building maintenance; 1- senior aide.
- **FRINGE BENEFITS** – increase of \$230,190
 - Medical benefits increased 4%.
 - Pension contribution increased 30%.
- **INSURANCE** – increase of \$30,000
 - General liability insurance increased 3% due to 12/14 insurance claims.
- **OPERATING EXPENSES** – decrease of (\$101,020)
 - Switching to the BOE accounting system saved \$21,000 (annually).
 - Fairfield Hills Authority operating expenses of \$36,000 were transferred to the FHA special revenue fund.
- **CAPITAL** – decrease of (\$64,600)
 - Transfer to Capital Non Recurring Fund was decreased by \$100,000; from \$250,000 to \$150,000.
 - The Town has a commitment to this line item. It is part of the Town's financial strategy, to pay as you go for some capital items, which reduces the debt burden.
 - It is important to note that the road improvement line item stays at \$1,000,000. The Capital Improvement Plan (CIP) continues to recommend an annual amount of \$2,000,000. \$2,000,000 annually is needed for at least the next 5 years and then \$1,500,000 per year to ensure that all road ways will be properly maintained and replaced over a twenty year period.
- **CONTINGENCY**
 - The contingency line item covers wage increases not yet negotiated, emergency building repairs not budgeted for, additional referenda and primary costs, and other unforeseen items. This contingency amount is small compared to the overall budget.
- **CONTRIBUTIONS TO OUTSIDE AGENCIES** – overall decrease of (\$147,119)
 - Decrease is mainly due to a one time budget amount, in the prior year, for non public school security.
- **CAPITAL FINANCING – DEBT SERVICE** – increase of \$284,070
 - Increase is a planned increase thru the Capital Improvement Plan. It is the Towns policy that annual debt service amounts cannot be over 10% of the total budget amount. It is a goal to reduce that amount to 9%. The Town is somewhere between those amounts.

*** If funds were available, where to apply additional resources?

* Public Works - Highway account * Library * Capital Non-recurring *

**TOWN OF NEWTOWN
BOARD OF SELECTMEN BUDGET ANALYSIS
2008-09 TO 2014-15**

ADOPTED/AMENDED BUDGETS

<u>Fiscal Year</u>	<u>Municipal Services</u>	<u>Percent (%) Increase</u>	<u>Debt Service</u>	<u>Percent (%) Increase</u>	<u>Total BOS Budget</u>	<u>Percent (%) Increase</u>	<u>Soc Sec COL (CPI)</u>
2014 - 2015	28,798,543	-0.6%	10,342,994	2.8%	39,141,537	0.3%	1.50%
2013 - 2014	28,965,599	4.5%	10,058,924	0.0%	39,024,523	3.3%	1.70%
2012 - 2013	27,731,255	-0.5%	10,059,789	3.5%	37,791,044	0.6%	3.60%
2011 - 2012	27,861,255	0.2%	9,722,393	4.6%	37,583,648	1.3%	0.00%
2010 - 2011	27,795,856	2.2%	9,294,025	-9.0%	37,089,881	-0.8%	0.00%
2009 - 2010	27,191,792	-5.1%	10,209,974	-5.2%	37,401,766	-5.2%	5.80%
2008 - 2009	28,661,230		10,772,170		39,433,400		
LAST 6 YEARS		0.5%		-4.0%		-0.7%	
AVG 6 YRS		0.1%		-0.7%		-0.1%	

2014-15 FIRST SELECTMAN PROPOSED

TOWN OF NEWTOWN
BOARD OF SELECTMEN BUDGET PROPOSAL 2014 - 2015
SUMMARY OF EXPENDITURES BY OBJECT

	2013 - 2014	2014 - 2015	Increase / (Decrease)	Percent Change
	AMENDED	BOS PROPOSED		
BOARD OF SELECTMEN BUDGET:				
MUNICIPAL SERVICES:				
WAGES & SALARIES	11,111,738	11,095,039	(16,699)	-0.15%
FRINGE BENEFITS	4,707,561	4,937,751	230,190	4.89%
INSURANCE	1,003,500	1,033,500	30,000	2.99%
OPERATING EXPENSES	7,399,901	7,298,881	(101,020)	-1.37%
CAPITAL	2,080,623	2,016,023	(64,600)	-3.10%
CONTINGENCY	347,826	250,000	(97,826)	-28.12%
CONTRIBUTIONS TO OUTSIDE AGENCIES:				
TOWN AGENCIES	2,071,889	2,078,496	6,607	0.32%
OTHER AGENCIES	242,561	88,835	(153,726)	-63.38%
TOTAL MUNICIPAL SERVICES	28,965,599	28,798,525	(167,074)	-0.58%
CAPITAL FINANCING - DEBT SERVICE				
	10,058,924	10,342,994	284,070	2.82%
TOTAL BOARD OF SELECTMEN BUDGET	39,024,523	39,141,519	116,996	0.30%

TOWN OF NEWTOWN
 GENERAL WAGE INCREASE HISTORY
 FOR THE FISCAL YEARS 2005-06 TO 2014-15

MUNICIPAL UNIONS

<u>FISCAL YR</u>	<u>PUBLIC WORKS</u>	<u>POLICE</u>	<u>TOWN HALL</u>	<u>DISPATCH</u>	<u>PARKS & REC</u>	<u>NON UNION</u>	<u>SOC SEC COL (CPI)</u>
2005-2006	3.50	3.75	3.50	3.50	3.50	3.50	2.70
2006-2007	3.75	3.75	3.75	3.75	3.50	3.75	4.10
2007-2008	3.75	3.50	3.50	3.50	3.75	3.50	3.30
2008-2009	3.50	3.00	3.50	3.50	3.50	3.00	2.30
2009-2010	0.00	0.00	0.00	0.00	0.00	0.00	5.80
2010-2011	1.50	3.00	1.50	1.50	2.80	0.00	0.00
2011-2012	1.75	1.75	1.75	1.75	1.80	1.50	0.00
2012-2013	1.90	1.85	1.75	1.75	1.90	1.75	3.60
2013-2014	1.90	1.90	1.90	1.75	1.90	1.70	1.70
2014-2015	1.75		1.75		1.90	1.75	1.50
Yearly Avg.	2.33	2.50	2.29	2.41	2.52	2.05	2.50

(a) 2% July 1; 2% Jan 1

To be negotiated

TOWN OF NEWTOWN

POSITIONS ELIMINATED OR UNFUNDED/UNFILLED

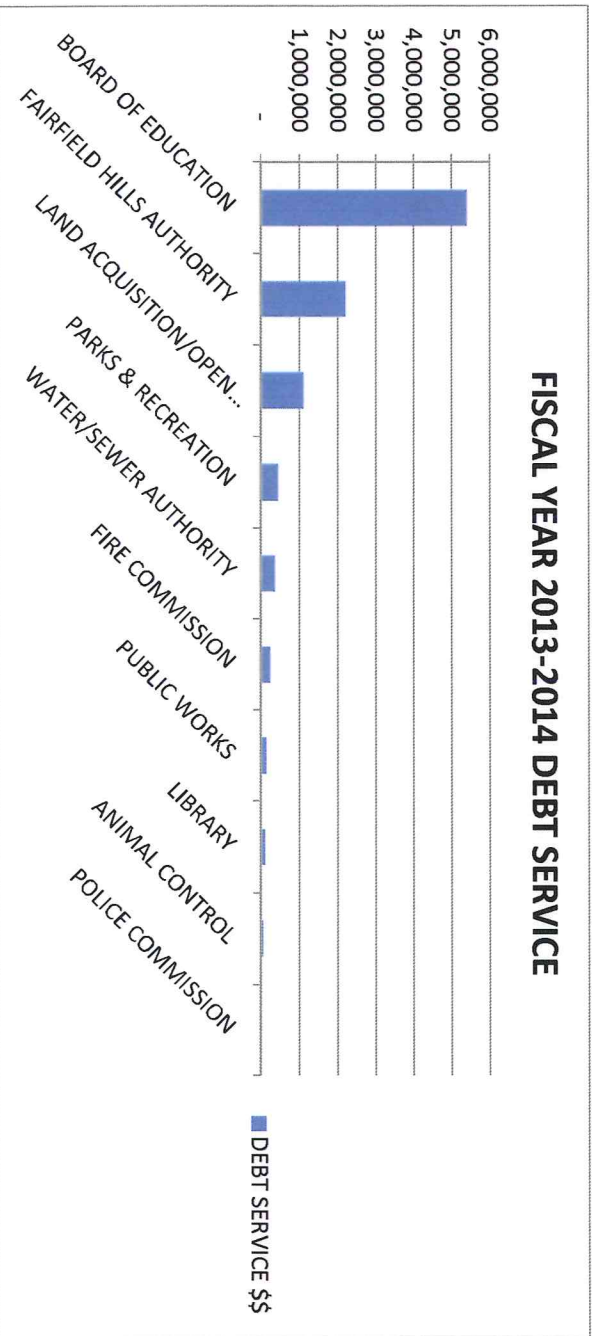
SINCE 2009 BUDGET YEAR

<u>DEPT</u>	<u># POSITIONS</u>	<u>POSITION TITLE</u>	<u>APPROXIMATE SALARY VALUE</u>
SELECTMAN	1	STAFF SECRETARY	\$48,000
ASSESSOR	1	ADMINISTRATIVE ASSISTANT	\$40,000
TAX COLLECTOR	1	CLERK	\$40,000
COMMUNICATIONS	1	ETD SUPERVISOR	\$60,000
COMMUNICATIONS	1	EMERGENCY TELECOMM	\$48,000
POLICE	2	POLICE OFFICER	\$110,000
POLICE	1	OFFICE ASSISTANT	\$45,000
BUILDING OFFICIAL	1	ASSISTANT BUILDING OFFICIAL	\$65,000
PUBLIC WORKS	1	ASSISTANT TOWN ENGINEER	\$80,000
PUBLIC WORKS	1	TRUCK DRIVER	\$54,000
PUBLIC WORKS	1	HEAVY EQUIPMENT OPERATOR	\$55,000
PUBLIC WORKS	1	HEAD MAINTAINER	\$54,000
LAND USE	1	CONSERVATION OFFICER	\$62,000
SENIOR SERVICES	<u>1</u>	SENIOR AIDE	<u>\$25,000</u>
TOTAL	<u>15</u>		<u>\$786,000</u>

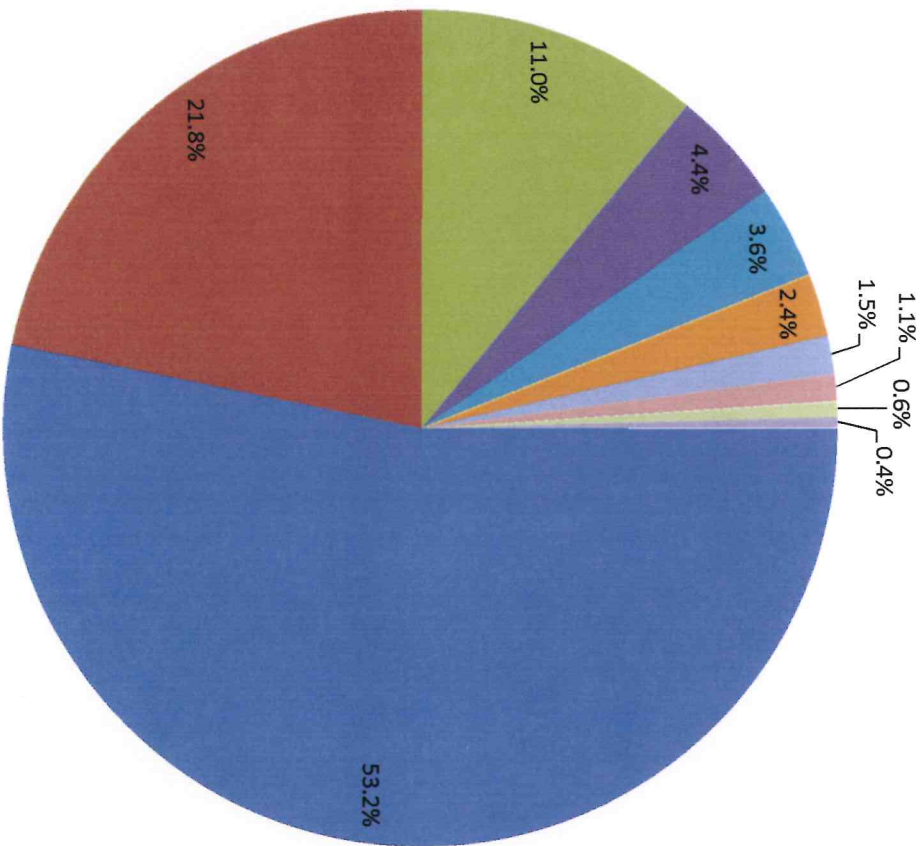
Total Town personnel 165 FTE (2014-15)

TOWN OF NEWTOWN
GENERAL FUND DEBT SERVICE BY DEPARTMENT
FISCAL YEAR 2013-2014

<u>DEPARTMENT</u>	<u>PRINCIPAL & INTEREST</u>	
BOARD OF EDUCATION	5,404,288	53.2%
FAIRFIELD HILLS AUTHORITY	2,219,016	21.8%
LAND ACQUISITION/OPEN SPACE	1,116,774	11.0%
PARKS & RECREATION	449,543	4.4%
WATER/SEWER AUTHORITY	364,317	3.6%
FIRE COMMISSION	245,831	2.4%
PUBLIC WORKS	149,822	1.5%
LIBRARY	106,924	1.1%
ANIMAL CONTROL	59,941	0.6%
POLICE COMMISSION	42,472	0.4%
	10,158,929	



FISCAL YEAR 2013-2014 DEBT SERVICE



- BOARD OF EDUCATION
- FAIRFIELD HILLS AUTHORITY
- LAND ACQUISITION/OPEN SPACE
- PARKS & RECREATION
- WATER/SEWER AUTHORITY
- FIRE COMMISSION
- PUBLIC WORKS
- LIBRARY
- ANIMAL CONTROL
- POLICE COMMISSION

RatingsDirect®

Summary:

Newtown, Connecticut; General Obligation

Primary Credit Analyst:

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Related Criteria And Research

Summary:

Newtown, Connecticut; General Obligation

Credit Profile

US\$6.5 mil GO bnds ser 2014 due 03/01/2034

<i>Long Term Rating</i>	AAA/Stable	New
Newtown GO		
<i>Long Term Rating</i>	AAA/Stable	Upgraded
Newtown GO rfdg		
<i>Long Term Rating</i>	AAA/Stable	Upgraded

Rationale

Standard & Poor's Ratings Services has raised its rating on the Town of Newtown, Conn.'s general obligation (GO) bonds to 'AAA' from 'AA+' based on our recently released local GO criteria published Sept. 12, 2013. The outlook is stable.

At the same time, Standard & Poor's has assigned its 'AAA' long-term rating and stable outlook to the town's series 2014 GO bonds.

The town's full faith and credit pledge secures the bonds. We understand that officials will use bond proceeds to fund various capital improvements.

The rating reflects our assessment of the following factors for the town, specifically what we consider its:

- Very strong economy, which benefits from participation in the broad and diverse economy of Danbury;
- Very strong budgetary flexibility, with available reserves at or above 15% of general fund expenditures for the most recent three audited years;
- Strong budgetary performance, with consistent operating surpluses in the general fund and total governmental funds;
- Very strong liquidity, providing very strong cash levels to cover both debt service and expenditures;
- Strong management conditions, with formal policy and consistent ability maintain balanced budgets; and
- Very strong debt and contingent liability position, driven mostly by the town's low net direct debt.

Very strong economy

We consider Newtown's economy to be very strong, with access to the broad and diverse economy of Danbury in Fairfield County. Traditionally, county unemployment has tracked on par with that of the state and the nation; county unemployment averaged 7.6% in 2012. Newtown has projected per capita effective buying income of 182% of that of the U.S., as reflected by residents accessing jobs in the neighboring areas. Per capita market value for the town was \$158,000 for fiscal 2014. The net taxable grand list has declined by about 23% to \$3 billion in fiscal 2014 due to revaluation. Officials project that the grand list will increase in the next re-evaluation.

Strong budget flexibility

In our opinion, the town's budgetary flexibility remains strong, with available reserves above 8% of expenditures for the most recent two years, and Newtown has no plans to significantly spend down the reserves. This has been in compliance with the town's reserve policy of 8%-12%. Management reported that the town will end fiscal 2014 with an operating surplus. For audited fiscal 2013, available reserves were \$10.8 million or 9.7% of general fund expenditures.

Strong budgetary performance

Newtown's budgetary performance has been strong overall, in our view, with operating surplus in its general fund (1.4% of expenditures) and total governmental funds (2.4% of expenditures) in fiscal 2013. About 89% of the town's revenues are from property tax, and collection has been strong, averaging more than 99% for the most recent five years. Year-to-date, management reported a positive variance of \$450,000 in its general operation and \$600,000 in education. Preliminary assumptions for fiscal 2015 budget include further growth in the economy and no increase in property tax. The town receives less than 5% in federal revenue.

Very strong liquidity

Supporting the town's finances is what we consider to be very strong liquidity, with total government available cash as a percent of total governmental fund expenditures and as a percent of debt service are 18% and 218%, respectively. We believe Newtown has good access to external liquidity. It has issued GO bonds frequently in the past 15 years.

Very strong management

We view the town's management conditions as very strong with formalized, well embedded, and sustainable financial practices and policies. Newton maintains an internal practice of forecasting revenues and expenditures five years out. Assumptions are conservative, and management updates them annually; management is seeking to formalize this practice, which will consist of formal annual written reports to the board of selectmen. The town also has a formal fund balance policy to maintain an unassigned fund balance at 8%-12%. Finally, the town has a comprehensive debt management plan to amortize at least 50% of its debt in 10 years; the plan also calls for the town to maintain debt service at less than 10% of general fund budget.

Strong debt and contingent liability profile

In our opinion, Newton's debt and contingent liability profile is strong, with total governmental funds debt service as a percent of total governmental funds expenditures at 8% and with net direct debt as a percent of total governmental funds revenue at 59%. Meanwhile, overall net debt, after taking into account state aid reimbursement on school-related debt, is low in our opinion at 1.7% of market value. Amortization of debt is also rapid, with 82% of principal to be retired in 10 years. Newtown maintains a long-term capital plan through 2019 with bonding needs of about \$56 million.

The town contributes to three pension plans: the Selectmen and Board of Education Personnel (99% funded as of July 1, 2011), Police Personnel (87% funded as of July 1, 2011), and Elected Officials (defined contribution plan). The town also offers other postemployment benefits (OPEB) to some of its retirees in the form of health care plan. The combined pension annual required contribution and OPEB pay-as-you-go cost totaled \$2 million in fiscal 2013, or less than 2% of total governmental expenditures. Based on an actuarial valuation, Newtown had an accrued liability of \$6.3 million for OPEB as of July 1, 2012.

Very strong Institutional Framework

We consider the Institutional Framework score for Connecticut municipalities as very strong. See Institutional Framework score for Connecticut, published Sept. 12, 2013.

Outlook

The stable outlook reflects our view of Newtown's strong budgetary performance and flexibility, coupled with a very strong underlying economy. We do not expect to change the rating in our two-year outlook horizon due to our expectation that management will continue to adhere to its formal and sustainable policies and practices in managing its finances and any fluctuation in the local economy.

Related Criteria And Research

Related Criteria

- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013
- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Connecticut Local Governments, Sept. 12, 2013

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MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa1 to Newtown CT's \$6.5M G.O. Bonds

Global Credit Research - 19 Feb 2014

Affirms Aa1 on \$73.2M of outstanding parity debt

New York, February 19, 2014 --

Moody's Rating

Issue: General Obligation Bonds, Series 2014; Rating: Aa1; Sale Amount: \$6,500,000; Expected Sale Date: 3/1/2014; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned a Aa1 rating to the Town of Newtown's \$6.5 million General Obligation Bonds, Issue of 2014. Concurrently, Moody's has affirmed the Aa1 rating on \$73.2 million in outstanding long-term G.O. debt. The bonds and notes are secured by an unlimited general obligation tax pledge. The bonds are being issued to provide financing for various capital needs, including sewer infrastructure extension, school renovations, and park improvements.

SUMMARY RATING RATIONALE

The Aa1 long-term rating reflects the town's stable financial position which is supported by formal fiscal policies. The rating also considers the sizeable equalized net grand list with favorable socioeconomic indices, and an manageable debt profile.

STRENGTHS

- Sizeable and affluent tax base
- Stable financial position supported by formal policies
- Well funded pension system and pro-active OPEB Funding

CHALLENGES

- Managing expenditure pressures in an environment of constrained revenue growth

WHAT COULD MAKE THE RATING GO UP

- Significant growth of the underlying tax base
- Sizeable fund balance growth
- Reduction in debt burden

WHAT COULD MAKE THE RATING GO DOWN

- Protracted structural budget imbalance
- Reduction of General Fund reserves
- Deterioration of the town's tax base and demographic profile

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody's.com for a copy of this methodology.

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