

George Ferguson, Chair
Anthony Filiato, Vice Chair
Dan Amaral
Mary Ann Jacob
Ryan Knapp
Paul Lundquist



TOWN OF NEWTOWN

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Legislative Council Finance and Administration Committee

The Legislative Council Finance and Administration Committee held a special meeting at the Newtown Municipal Center, 3 Primrose Street, Newtown, CT, on September 21, 2016, at 7:00 p.m., in Meeting Room 1, as follows:

Minutes

- Call To Order** The meeting was called to order at 7:24 p.m. when a quorum was achieved and was followed by a Salute to the Flag.
- Roll Call** All members of the Committee were in attendance, except Anthony Filiato who was excused.
- Voter Comment** There was no voter comment.
- Minutes:** Paul Lundquist moved to approve the minutes Approval of the Minutes of the Meeting of September 1, 2016. Seconded by Mary Ann Jacob. All in favor.

Communications:

George Ferguson reported that he received an email from Jim Gaston inviting the Chair and any interested LC Finance and Administration Committee members to the Board of Finance meeting on October 10th. The Committee agreed we will visit. However because Bob Tait would not be available on the 10th, the Committee felt the visit should be delayed. George Ferguson will advise Jim Gaston accordingly.

Old Business

Discussion and Possible Action:

A Discussion of the Town of Newtown Debt Policy was initiated based on the following charge from the Legislative Council:

“MR. KNAPP MOTIONED TO HAVE THE FINANCE COMMITTEE OF THE COUNCIL LOOK INTO AN APPROPRIATE METRIC FOR DEBT PER CAPITA THAT WE CAN MEASURE AND BENCHMARK AGAINST OTHER COMMUNITIES IN OUR AREA. SECOND BY MR. LUNDQUIST. MR. FERGUSON MOTIONED A FRIENDLY AMENDMENT TO ALLOW THE FINANCE AND ADMINISTRATION COMMITTEE TO REVIEW THE ENTIRE POLICY AND TO BRING ANY RECOMMENDATIONS IT WARRANTS BACK TO THIS BODY FOR CONSIDERATION. SECOND BY MR. CARROLL. AMENDMENT APPROVED. MAIN MOTION APPROVED”

Ryan Knapp felt that sharing our progress, the work we have performed, and the resources we have gathered with the Board of Finance is a good collaborative approach. In that way we will be able to

consider their advice and counsel in advance of making our Committee's recommendation to the Legislative Council.

Dan Amaral expressed concerns about the Town's borrowing and controlling spending.

George Ferguson observed that the Legislative Council last year changed the Debt Cap from 10% to 9.8% of the annual budget and that we are here looking at that again and at other matters.

Ryan Knapp commented on the fact that we are having this discussion now rather than concurrently with the CIP Process.

George Ferguson reported that he had asked Bob to include the other Aa1 communities to the spreadsheet he had earlier prepared and to include the debt policy for the Town of Simsbury.

Mary Ann Jacob said she was going to ask for a legal opinion on the use of the word "Shall" vs. the word "Will" which is a change to the Debt Policy. The question is are the meaning of these words the same, or is one stronger? Has the policy been weakened?

Mary Ann Jacob felt that we should make the language of 5C more specific and actionable

Ryan Knapp wants to know how we are moving relative to the metrics. Per Capital Income is changing and Household income is changing.

George Ferguson expressed concerns about using Bond Premiums for anything other than meeting debt obligations. Ryan Knapp suggested that alternatively these could be put into the capital non recurring fund as a way building this fund up to move away from bonding as much as some other communities have done.

Ryan Knapp said the old policy had firm "Shall" hold the Debt Per Capital (V.C) and now the language say it "Should" consider. Ryan also feels that there is confusion about the "Median Debt Per Capital" per Moody's.

George Ferguson pointed out that he would be sending out the report that included the Moody's Medians and asked Bob if he had included these in the handout. Bob indicated that he had included the relevant pages. George pointed out that the Medians were national comparisons and might not be practically applied to Newtown given were we are at now, and that perhaps comparing Newtown to other Connecticut communities might be a more appropriate measure.

Mary Ann Jacob said that she would like for the Board of Finance to consider appropriate metrics and benchmarks and the weaker language in the debt policy now than in the past.

George Ferguson suggested that we should tie Debt comparisons to Assets because we have a Property Tax that is directly linked to the underlying value of the asset. We don't have an income tax. So looking at Bonded Debt as compared to our Grand List and comparing it to similar and surrounding communities makes the most sense.

Ryan Knapp said that affluence is referenced and considered by rating agencies and he feels it should be a metric considered.

Ryan Knapp Cited Moody's Report on Newtown on what could make our ratings go up or down and mentioned the positives such as reducing debt, building up fund balance reserves, or consistent

increases in the economic well being of the Community. Negatives reflected an increase in debt, reduction in fund balance, or deterioration of economic well-being.

George Ferguson said that our Committee really needs to focus on three things: The metrics that we want to use to benchmark our debt burden against, the similar communities that we think we should benchmark our debt levels against, and the current debt cap level of 9.8%.

Paul Lundquist asked how using benchmarks' impacts borrowing. He said that it seems smart to include benchmarks but how does it impact borrowing?

Mary Ann Jacob responded and said that we should not be just increasing debt service as the budget goes up. The debt service cap is a guideline, a philosophical line in the sand.

Mary Ann Jacob said that we should consider lowering the cap, or creating a fixed cap that was not based on a percentage of the budget as that automatically meant that the debt level in dollar terms would increase with the budget.

Mary Ann Jacob moved to change the Debt Cap to 9% of the budget. Paul Lundquist seconded. George Ferguson made a friendly amendment to move to 8% over time. Mary Ann rejected the friendly amendment. The original motion passed 5-0.

During the discussion Ryan Knapp said he would be supportive as long as we are not creating a policy that we would be immediately violating. Ryan indicated he would support the motion upon receiving assurances, that this would not be the case.

The committee asked Bob Tait to Draft Language for the Committee's consideration at its next meeting and in advance of its meeting with the Board of Finance. Specifically the Committee asked Bob to consider developing language around the following:

- Taking a hiatus from the Bonding and CIP processes every fifth year to help manage the overall debt burden.
- To add language to the debt policy that cites analytics that illuminate trends relating to elements such as underlying asset values, income, and economic health of the community and its residents.
- A comparison of these metrics to "surrounding communities" in addition the "Moody's Aa1 communities" and "DRG B communities."

Future Meeting Date: The Committee discussed a next meeting date for October 5, 2016 at 6:30 p.m. in Council Chambers at the Newtown Municipal Center.

Old Business None

Voter Comment None

Announcements None

Adjournment Paul Lundquist moved to adjourn the meeting at 8:17 p.m. Second Mary Ann Jacob

George Ferguson
Chair