

Board of Selectmen
February 22, 2011

THESE MINUTES ARE SUBJECT TO APPROVAL BY BOARD OF SELECTMEN

The Board of Selectmen held a regular meeting Tuesday, February 22, 2011 in the Council Chamber of the Municipal Center, Newtown. First Selectman Llodra called the meeting to order at 7:35pm.

PRESENT: First Selectman E. Patricia Llodra, Selectman William F.L. Rodgers, Selectman William F. Furrier.

ALSO PRESENT: Director of Public Works Fred Hurley four members of the public and two members of the press.

VOTER PARTICIPATION: **Ruby Johnson, 16 Chestnut Hill Road** thanked the First Selectman for the new town web site. In reading the minutes of the last Board of Selectman meeting Ms. Johnson expressed concern about the fund balance. She asked that something be put in the paper about the goal so people know a little bit more. She is concerned that a group created relative to the POCD have checks and balances. Mr. Furrier shared the concerns of Ms. Johnson. First Selectman Llodra it is premature to talk about the structuring or even if we would go in that direction. Other communities have used a PIC, a Plan Implementation Committee. Ms. Johnson shared concern about the bonded indebtedness. She asked what it would cost to delay some CIP projects; it's always good to pay as you can. Ms. Johnson was unhappy with the last Fairfield Hills Authority meeting knowing they had gone forward with deciding where the ambulance facility would be. She thinks it was discourteous and disrespectful to the Review Committee, who has not yet finished their review of Fairfield Hills.

ACCEPTANCE OF THE MINUTES: Selectman Rodgers moved to accept the minutes of February 7, 2011. Selectman Furrier seconded. All in favor.

COMMUNICATIONS: The Board of Selectman has been invited to attend the graduate student presentation of the Yale School of Forestry at the Municipal Center on Saturday, February 26 at 10:00am. Valentines for Troops, a celebration of six years of outreach to our military overseas will be held on Friday, February 25 from 3pm-5pm at the Reed School. The Self Funded Health Insurance Fund and Committee Ordinance (Att. A) and the power point presented to the Board of Finance by First Selectman Llodra and Board of Education Chairman Bill Hart (Att. B) was shared along with Common Cost Centers (Att. C). First Selectman Llodra encouraged people to go onto the town website and look at any of the budget meetings on video on demand. Mr. Furrier questioned the legality of the executive session held at the Fairfield Hills Authority meeting to discuss a residential housing proposal. First Selectman Llodra said that she and Dr. Reed spoke about whether or not the discussions the Fairfield Hills Authority plans on having qualify as executive session. Dr. Reed is talking to the Town Attorney about what is appropriate and recognizes the sensitivity of not wanting to put to executive session anything that does not have to be there, particularly something that has this level of interest in the community and the need to have full disclosure.

Rec'd. for Record 2-24-2011
Town Clerk of Newtown 11:15am
Debbie A. Aurelia

FINANCE DIRECTOR REPORT: In Mr. Taits absence First Selectman Llodra distributed Ratings and the Cost of Borrowing (Att. D) and a document of Fund Balance (Att. E). We anticipate the fund balance to stand at 6.9% by FY 2011. First Selectman Llodra spoke of the Governors budget saying that we will suffer a loss of about \$242,000 in MME (Manufacturing Machinery and Equipment). However, the difference will be made up in the conveyance tax. There is a onetime Federal offset, Education Jobs Grant, which is meant to soften the loss of the ARRA money. A "What If" budget analysis document was shared (Att. F). Mr. Furrier asked how the spreads would change as interest rates rise relative to bonding; would it still be 20 basis points or would the spread become larger.

OLD BUSINESS:

Discussion and possible action:

- 1. Implementation Plan – Plan of Conservation and Development:** This item will continue to be carried.
- 2. CIP - 5th year:** The Board of Finance asked the Board of Selectmen to look at the CIP to see if the debt cap can be reduced from 10% to 9%. The original request came from the Finance Committee of the Legislative Council. One option is to transition to a 9% cap over a period of time, such as ten years out. (Att. G). Reducing the debt cap as a singular action is not as meaningful as it would be if it were part of a larger plan of financial discipline, such as growing the fund balance, use of capital non-recurring and adding a BOE capital non-recurring. Mr. Rodgers said that a focus on years 5 -10 isn't embraced by the current plan. He wondered if the rating agencies took into effect the longevity of terms of office of elected officials before throwing out ideas on years 5-10 with two to three year terms. This may have to have the effect of a resolution. First Selectman Llodra said that the final decision will be made on March 7. One recommendation would be that the debt cap be reduced to 9% by 2020, being achieved incrementally between years 2015-2020.

NEW BUSINESS:

Discussion and possible action:

- 1. Appointments/Reappointments:** Selectman Rodgers moved the appointment of Jim Gies to the Design Advisory Board. Selectman Furrier seconded. All in favor. Selectman Furrier moved the re-appointment of Neal DeYoung to the Board of Ethics. Selectman Rodgers seconded. All in favor. The appointment of Joseph Borst to the Sustainable Energy Commission will take place after the Republican Town Committee has an opportunity to vote on it.
- 2. Driveway Bond Extension:** Selectman Rodgers moved the driveway bond extension for Sandra Kuzmich, 82 Great Quarter Road. The new date of expiration will be July 31, 2011. Selectman Furrier seconded. All in favor.
- 3. Tax Refunds:** Selectman Furrier moved the March Tax Refunds No. 11 in the amount of \$33,841.00. Selectman Rodgers seconded. All in favor.
- 4. Resolution:** Selectman Rodgers moved the Valley Council of Governments Brownfields Cleanup Revolving Loan Fund resolution as revised to call for a loan amount of \$122,200 and that First Selectman Llodra be authorized and directed to execute and file agreements for financial assistance in that amount. Selectman Furrier seconded. All in favor.

Board of Selectmen
February 22, 2011

5. **\$100,000 STEAP grant for the Sandy Hook Streetscape Program:** Selectman Rodgers moved that the Board of Selectmen resolve the Town of Newtown make an application for a \$100,000 grant to undertake the Sandy Hook Streetscape Improvements Project and the First Selectman be authorized to execute an assistance agreement in that regard. Selectman Furrier seconded. All in favor.
6. **Transfer:** Mr. Hurley explained that the FEMA reimbursement for the winter is unknown at this point. Selectman Rodgers moved the transfer of \$170,000 from 01570-2000 Contingency to \$35,000 01510-1003 Overtime, \$60,000 01510-2032 Salt and \$75,000 01510-4060 Contractual Services. Selectman Furrier seconded. All in favor.

VOTER COMMENT: Ruby Johnson, 16 Chestnut Hill Road thanked the Board for educating her and thanked the highway department for all of their hard work through the winter storms.

ANNOUNCEMENTS: none.

ADJOURNMENT: Having no further business the Board of Selectman adjourned their regular meeting at 8:57pm.

Respectfully submitted,

Susan Marcinek
Susan Marcinek, Clerk

- Att. A: Self-Funded Health Insurance Fund & Committee Ordinance
- Att. B: TON budget, joint BOS/BOE power point
- Att. C: Common Cost Centers
- Att. D: Ratings and the Cost of Borrowing
- Att. E: TON General Fund
- Att. F: "What If" Budget Analysis
- Att. G: TON Estimated Amount Available for CIP Projects, 2011-12 to 2015-16
5th years and extending out to the 6th, 7th, 8th, 9th & 10th years

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.

Town of Newtown 2011-2012 Proposed Budget

The Town Budget

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

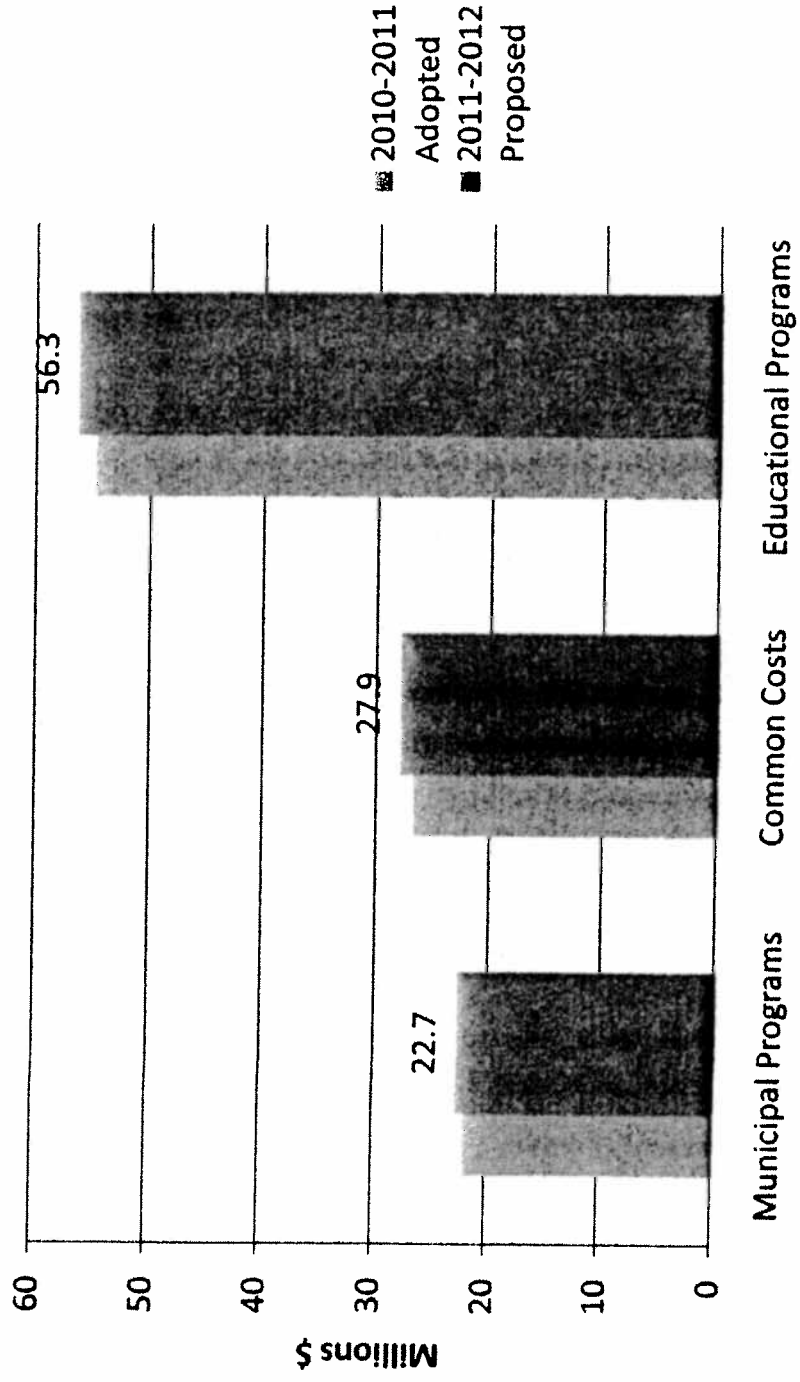
“Same Services” Budget Development

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

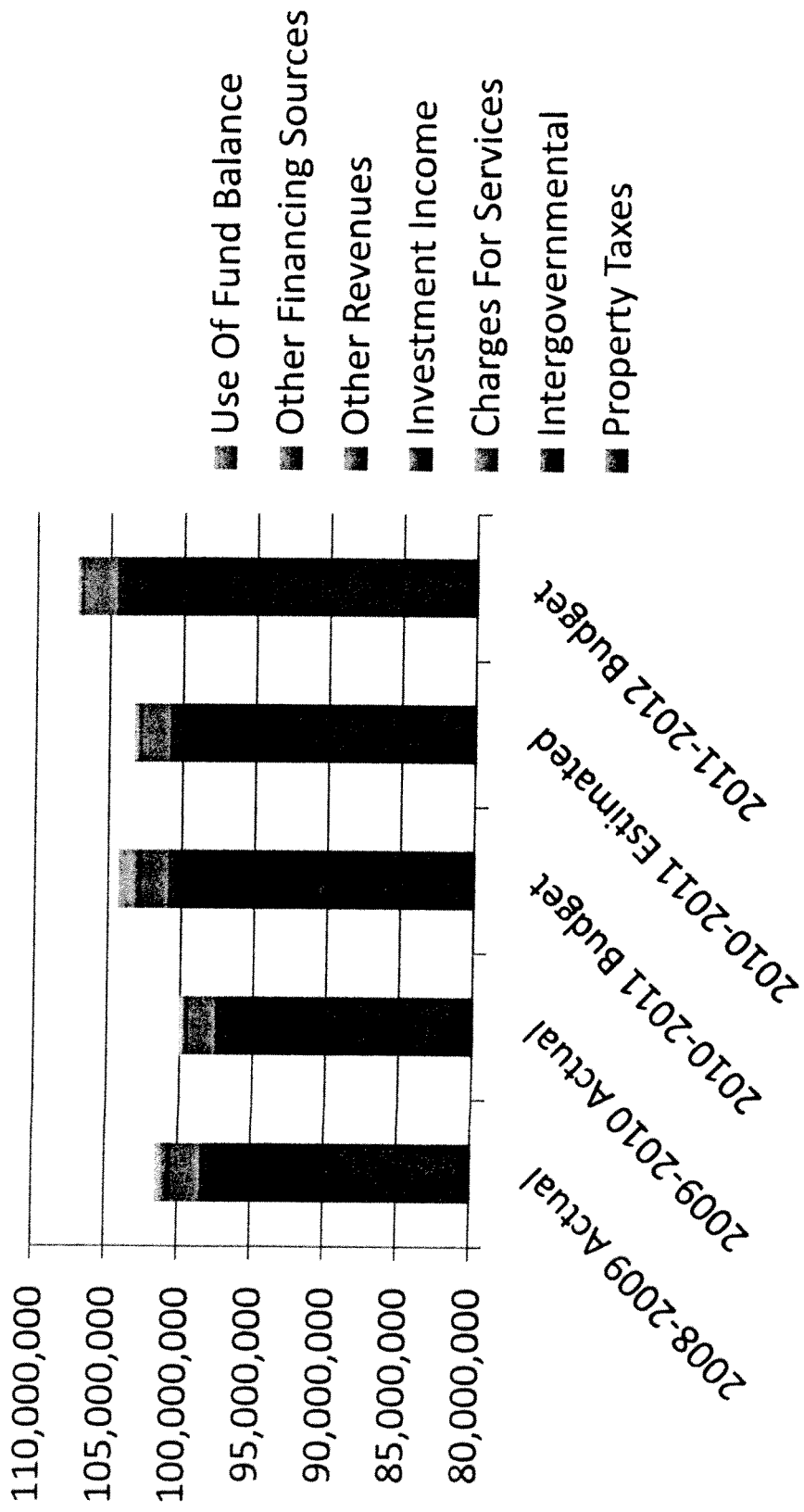
Common Drivers/Vision

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

Expense Breakdown



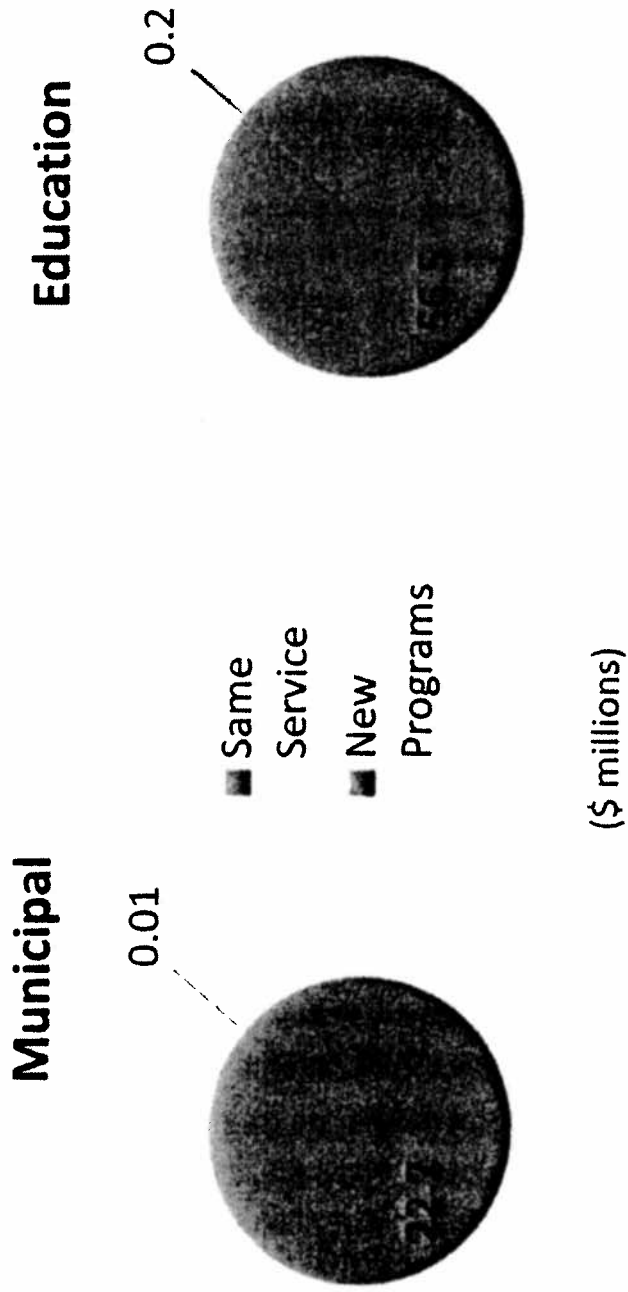
Revenue



Revenues

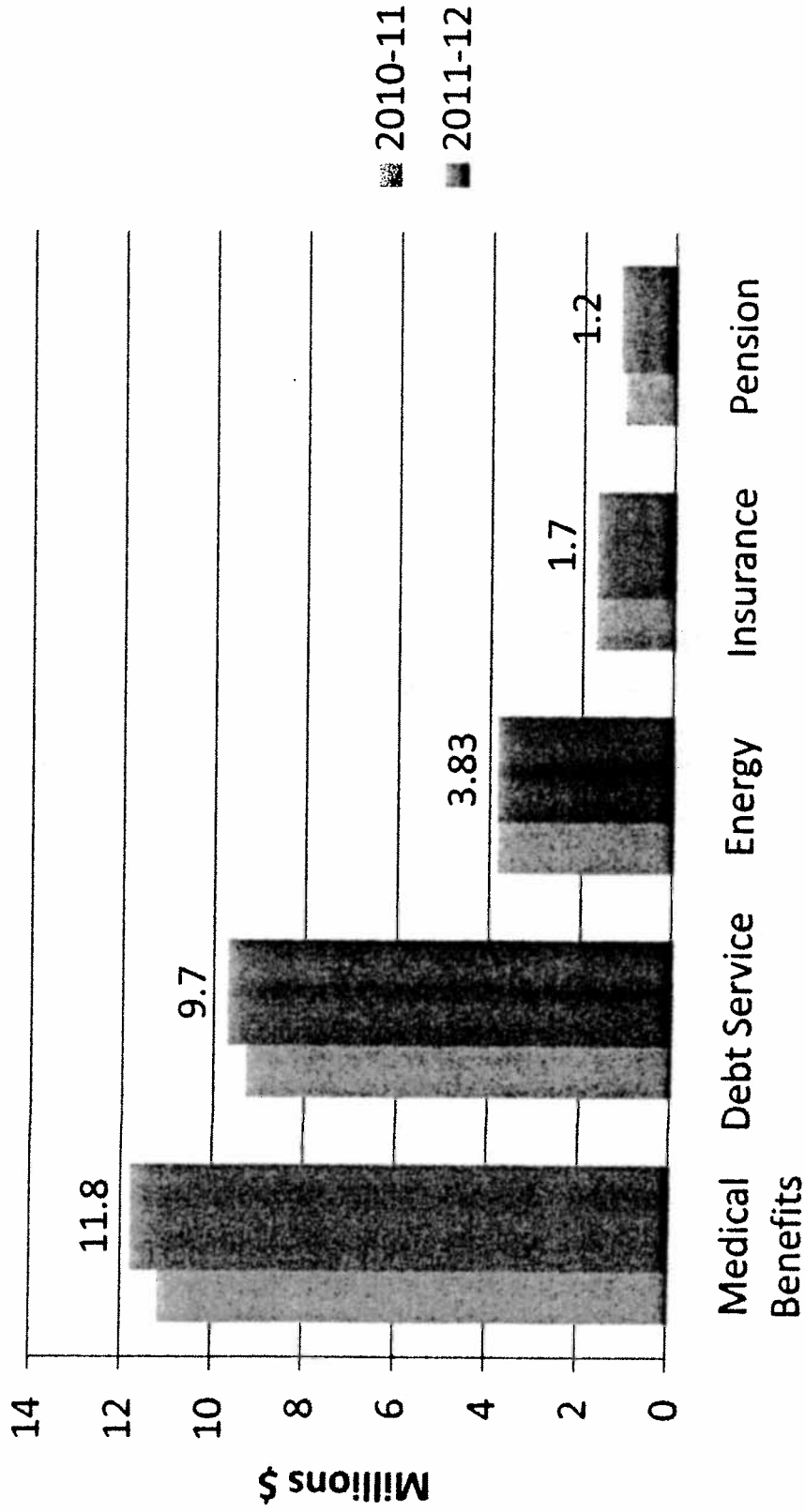
	2008-2009 Actual	2009-2010 Actual	2010-2011 Budget	2010-2011 Estimated	2011-2012 Budget
Property Taxes	90,141,581	90,588,844	93,258,032	93,218,032	96,985,523
Intergovernmental	8,381,124	7,032,098	7,671,977	7,649,983	7,577,388
Charges For Services	1,928,758	1,809,776	1,804,106	1,893,162	2,209,913
Investment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

Core and New Programs



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

Common Costs



Common Costs

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

Medical Benefits

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

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

Debt Service

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

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

Energy

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

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

Insurance

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

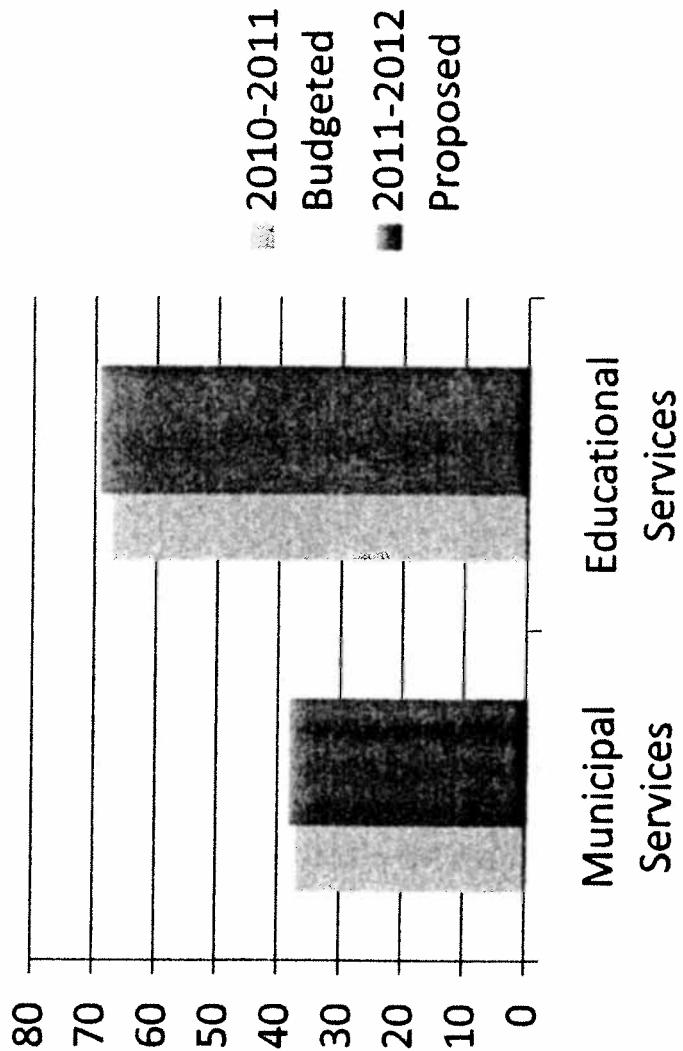
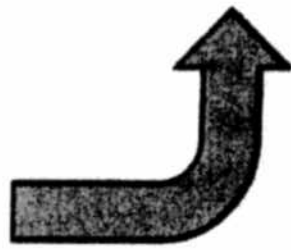
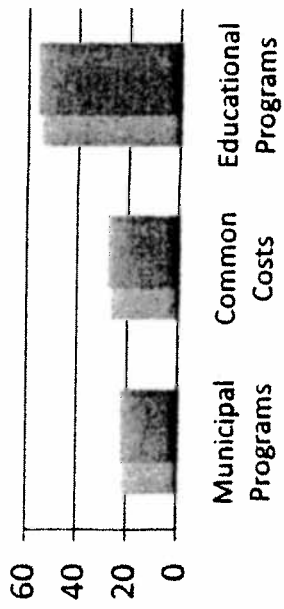
- Includes Worker's Compensation and General Liability Insurance
- Collaborated with provider to ease impact of a potential 15% increase
- Implementing a joint strategic plan to reduce claims

Pension

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

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

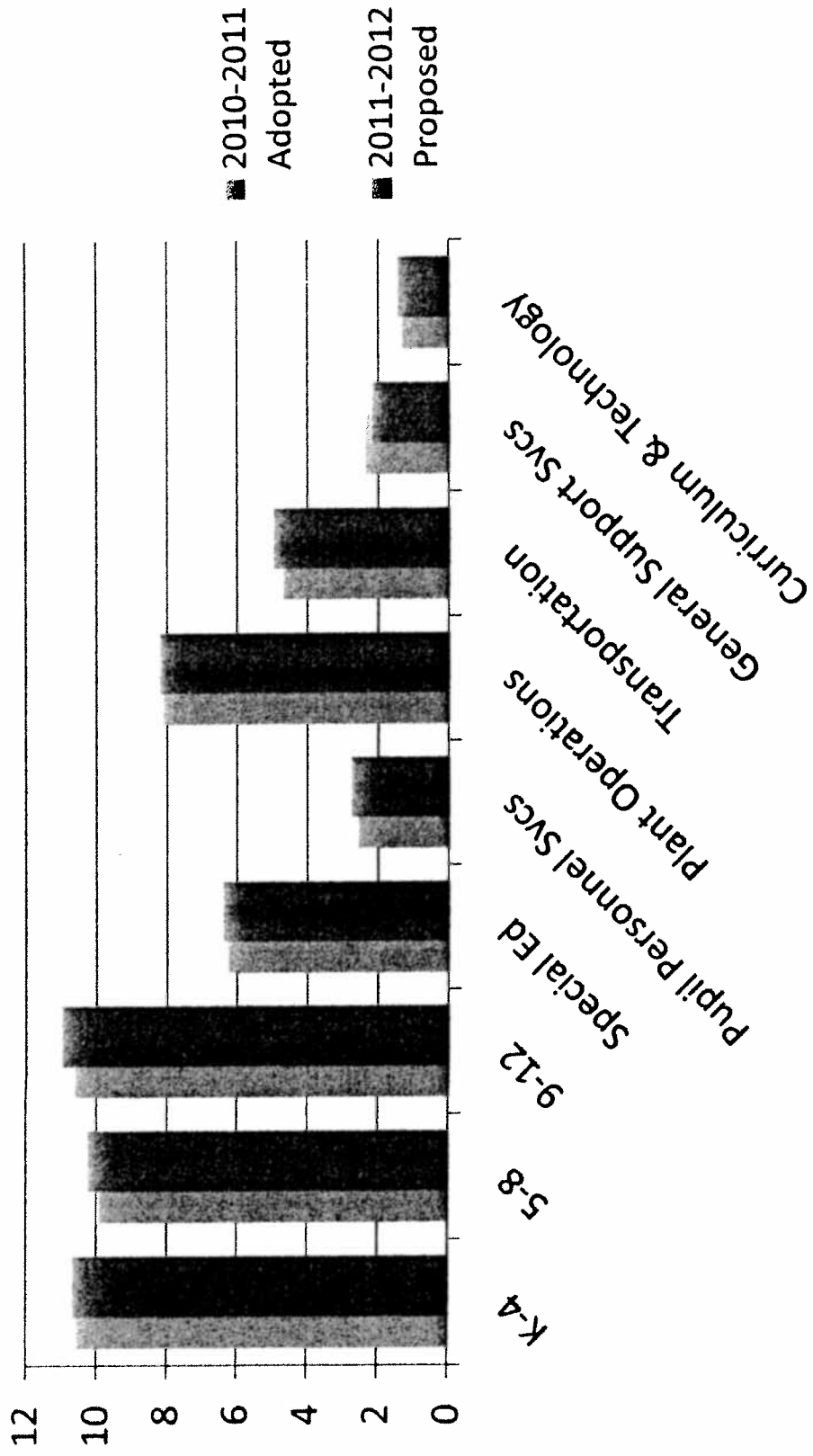
Traditional Budget Presentation



Educational Programs

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

Educational Programs



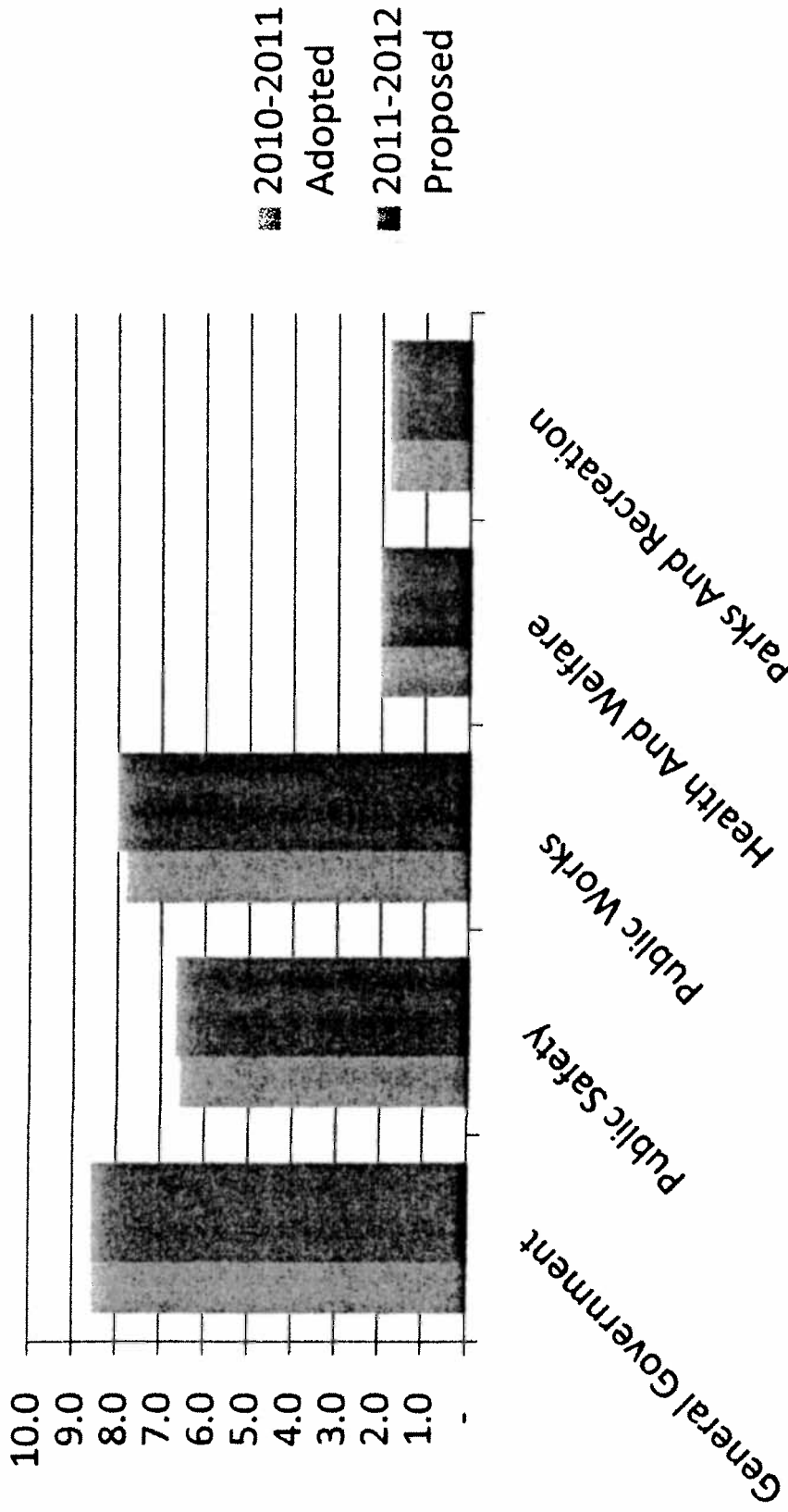
Educational Programs

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

Municipal Programs

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

Municipal Programs



Conclusion

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

COMMON COST CENTERS:

- 1. Medical benefits**
- 2. Debt Service**
- 3. Insurance (Worker's Compensation/General Liability)**
- 4. Energy (Electric, Gas & Oil)**
- 5. Pension**

SUMMARY OF COSTS

	<u>2011-2012 Proposed</u>	<u>2010-2011 Adopted</u>
1. <u>Medical benefits</u>		
Municipal	\$3,125,000	\$2,984,000
Education	<u>\$8,721,000</u>	<u>\$8,198,000</u>
Total Medical	\$11,846,000	\$11,182,000
% of Total Budget	11.0%	10.7%
2. <u>Debt Service</u>		
Municipal	\$4,450,000	\$4,456,000
Education	<u>\$5,225,000</u>	<u>\$4,828,000</u>
Total Debt Service	\$9,675,000	\$9,284,000
% of Total Budget	9.0%	8.9%
3. <u>Insurance</u>		
Municipal	\$893,000	\$908,000
Education	<u>\$788,000</u>	<u>\$815,000</u>
Total Insurance	\$1,681,000	\$1,723,000
% of Total Budget	1.6%	1.6%
4. <u>Energy</u>		
Municipal	\$848,000	\$892,000
Education	<u>\$2,985,000</u>	<u>\$2,935,000</u>
Total Energy	\$3,833,000	\$3,827,000
% of Total Budget	3.6%	3.7%
5. <u>Pension</u>		
Municipal	\$816,000	\$767,000
Education	<u>\$386,000</u>	<u>\$357,000</u>
Total Pension	\$1,202,000	\$1,124,000
% of Total Budget	1.1%	1.1%

GRAND TOTALS OF COMMON COST CENTERS

	<u>2011-2012 Proposed</u>	<u>2010-2011 Adopted</u>
MUNICIPAL	\$10,132,000	\$10,007,000
EDUCATION	<u>\$18,105,000</u>	<u>\$17,133,000</u>
TOTAL	\$28,237,000	\$27,140,000
% OF TOTAL BUDGET	26.3%	26.0%

How do we work together in these common cost centers:

- **Medical benefits**
 - Medical self insurance fund
 - One benefit consultant

- **Debt Service**
 - Combined meetings at the start of the CIP process

- **Insurance (Worker's Compensation/General Liability)**
 - Connecticut Interlocal Risk Management Agency (CIRMA)
 - Combined meetings on managing worker's compensation costs
 - One insurance consultant

- **Energy (Electric, Gas & Oil)**
 - We are moving towards having one contract for each energy source

- **Pension**
 - Non Teaching positions are required to participate in the municipal pension plan.

RATINGS AND THE COST OF BORROWING:

The cost spread to "AAA" credit changes over time – but currently it is at a very wide "spread" because every investor is willing to pay (accept a lower rate) for AAA rated securities. **Investors are very risk averse.** No one wants to buy a long-term bond that runs the risk of not being repaid.

Here is a current estimate of the "cost spreads" form AAA

<u>Rating</u>	<u>Spread to AAA (in basis points)</u>
Aa1	+ 20
Aa2	+ 40
Aa3	+ 80
A1	+150
A2	+250
A3	may not have market access (East Haven)

Assuming communities all issued 20 year bonds with level principal then:

Greenwich (Aaa) could issue at 3.65%
 Newtown (Aa1) could issue at 3.85% (+20)
 Sherman (Aa2) could issue at 4.05% (+40)
 Plainville (Aa3) could issue at 4.45% (+80)
 Hartford (A1) could issue at 5.05% (+1.50)
 West Haven (A2) could issue at 6.05%
 East Haven (A3) might not be able to find any buyers for their bonds

Total interest paid (over 20 years) using the most recent Newtown issue amount (\$14,020,000) for the above interest rates:

	<u>Difference from Aaa</u>
Aaa – 3.65% - \$5,435,580	
Aa1 – 3.85% - \$5,789,563	\$ 353,983
Aa2 – 4.05% - \$6,031,260	\$ 595,680
Aa3 – 4.45% - \$6,626,940	\$1,191,360
A1 – 5.05% - \$7,520,460	\$2,084,880
A2 – 6.05% - \$9,009,660	\$3,574,080

**TOWN OF NEWTOWN
GENERAL FUND, FUND BALANCE**

JUNE 30, 2010 (Per audited financial statement)

Fund Balance:		% of budget
Reserved:		
Encumbrances	1,354,552	
Unreserved:		
Designated for subsequent year's budget	1,000,000	
Undesignated	6,903,051	6.71%
Total Unreserved	7,903,051	7.68%
 Tota Fund Balance @ June 30, 2010	 9,257,603	

JUNE 30, 2011 (Estimate)

Fund Balance:		% of budget
Reserved:		
Encumbrances	1,300,000	
Unreserved:		
Designated for subsequent year's budget	-	
Undesignated	7,150,000	6.95%
Total Unreserved	7,150,000	6.95%
 Tota Estimated Fund Balance @ June 30, 2011	 8,450,000	
<small>(assuming using \$800,000 of the \$1,000,000 budgeted use of fund balance)</small>		

FUND BALANCE:

Fund balance is the difference between the fund's assets and liabilities.

Fund balance is divided into reserved and unreserved portions.

Reserved fund balance is the portion of fund balance that is not available as a financial resource. The most common example is amounts reserved for encumbrances, which represent contracts for goods or services with outside parties that are still outstanding at the end of the fiscal year and that the Town intends to honor.

Unreserved fund balance may be subdivided into designated and undesignated portions.

Designations represent management's intended use of resources and should reflect actual plans approved by the government's senior management. The most common example is the designation of fund balance for the subsequent year's budget.

Unreserved, undesignated fund balance represents available current financial resources (available as defined in the Town's fund balance policy)

TOWN OF NEWTOWN
"WHAT IF" BUDGET ANALYSIS
 2011 - 2012

	WHAT IF ↓		DIFFERENCE FROM PROPOSED BUDGET
Current Taxes (Based on What if Analysis) <small>((BOS budget + BOE budget) - revenues other than current taxes)</small>	94,801,937		
Estimated Revenues Other Than Current Taxes	12,037,651		
BOS Proposed Budget	38,098,157	2.72%	(99,574)
<i>Prior Year Adopted BOS Budget</i>	37,089,881	2.45% more than prior year	
BOE Proposed Budget	69,201,017	2.99%	(360,012)
<i>Prior Year Adopted BOE Budget</i>	67,194,734	2.45% more than prior year	
Net Taxable Grand List	3,877,706,216		
ENTER HERE ↓			
What if BOS Budget is	2.45%	% More than Prior Year	↑ 24.69
What if BOE Budget is	2.45%	% More than Prior Year	↑ 2.90%
		MILL RATE WOULD EQUAL	
		EFFECTIVE TAX INCREASE WOULD EQUAL	

TOWN OF NEWTOWN
ESTIMATED AMOUNT AVAILABLE FOR CIP PROJECTS
2011-12 TO 2015-16 CIP; 5th YEAR AND EXTENDING OUT TO THE 6th, 7th, 8th, 9th & 10th YEARS

	<u>5th Year</u> (2015-16)	<u>6th Year</u> (2016-17)	<u>7th Year</u> (2017-18)	<u>8th Year</u> (2018-19)	<u>9th Year</u> (2019-20)	<u>10th Year</u> (2020-21)
Estimated Amount Available for Projects (bonding)	\$ 25,000,000	\$ 5,000,000	\$ 5,000,000	\$ 10,000,000	\$ 10,000,000	\$ 5,000,000
debt service cap	9.6%	9.5%	9.3%	9.2%	9.1%	9.0%
<u>Possible Project Scenarios:</u>						
Bridge Replacement	\$ 414,000					
Fire Tanker (#9) & Engine (#111) Repl.	\$ 800,000					
Open Space Acquisition Program	\$ 1,000,000					
FFH Building Demolition	\$ 6,000,000					
FFH Walking Trails	\$ 515,000					
Community Center Construction	\$ 5,000,000	\$ 5,000,000				
Bath House/Concession Stand (Eichler's)	\$ 425,000					
Police/Communications Facility	\$ 800,000		\$ 5,000,000			
Newtown Technology Park	\$ 725,000					
Middle School Improvements - Phase II	\$ 4,321,000					
	\$ 20,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	\$ -	\$ -

NOTE: This worksheet is for discussion purposes only.