

THESE MINUTES ARE SUBJECT TO APPROVAL BY BOARD OF SELECTMEN

The Board of Selectmen held a regular meeting Monday, Sept. 17, 2012 in the Council Chamber of the Municipal Center, Newtown. First Selectman Llodra called the meeting to order at 7:30 pm.

PRESENT: First Selectman Llodra, Selectman William F.L. Rodgers, Selectman James Gaston, Sr.

ALSO PRESENT: Finance Director Robert Tait, Public Works Director Fred Hurley, Director of Economic & Community Development Elizabeth Stocker, Economic Development Chairman Don Sharpe, Michael Burton, Deputy Director of Planning and Land Use Rob Sibley, five members of the public and three members of the press.

VOTER PARTICIPATION: none.

ACCEPTANCE OF THE MINUTES: Selectman Rodgers moved to accept the minutes of September 4, 2012 as presented. Selectman Gaston seconded. All in favor.

COMMUNICATIONS: A letter of appreciation from the Redding Police Department to Mike McCarthy, of NUSAR, was discussed. NUSAR assisted in a search for a missing Speed Monitoring Sign.

FINANCE DIRECTOR REPORT: Mr. Tait discussed the importance of the general fund balance (Att. A). He said that he has a ten year analysis of tax forecasts. This year there was no way of knowing there would be an increase in revenues. A fund balance analysis was done to see how we could get to the 8%. The sheet reflects the OPEB transfer of \$250,000.

UNFINISHED BUSINESS:

Discussion and possible action:

1. **Implementation Plan – Plan of Conservation and Development:** item to be carried.
2. **Education & Prevention Committee for Tick Borne Disease:** item to be carried until November.
3. **Hawleyville Sewers:** Mr. Hurley supplied the history of Hawleyville and the interest in development projects. He presented an overview dated Sept. 13, 2012 (Att. B). Any benefit assessment can be challenged; the numbers appear to be in relatively rough balance. The larger project is worth looking at; it was discussed at the Water & Sewer Authority meeting and they want to discuss it with the Board of Selectmen. The commercial undeveloped land assessment is increased because the assessor felt the values were so undervalued that this was an opportunity to correct them. The zoning in the area was discussed. The existing commercial zoning has the potential for increased development with sewer capacity with some changes to the zoning itself. First Selectman Llodra said there needs to be legal support on the way the assessments have been calculated and the Water & Sewer Authority should meet with the Board of Selectmen.
4. **Municipal Space Needs:** The First Selectman will contact the Board of Education to express an interest in having the Board of Selectmen join a meeting to talk about the school facilities and how it relates to municipal space needs.
5. **Pension Fund Governance:** The First Selectman and Finance Director met with the Chairman of the Pension Committee regarding language to support an ordinance. They will work with the Pension Committee and report back to the Board of Selectmen.

NEW BUSINESS:

Discussion and possible action:

- 1. Resolution: Main Street Investment Fund Grant:** Ms. Stocker was present to speak about this fairly new grant funding that will help reimburse commercial property owners for improvements that they may have made to their commercial properties that would help improve commercial centers. Up for consideration is a sidewalk that goes between I-84 and Dayton Street in Sandy Hook. Planning and Zoning has approved a sidewalk plan that goes from Sandy Hook Center to the flag pole down South Main Street to Walgreens, across Wasserman to Rte. 34 and back to Sandy Hook Center. First Selectman Llodra stated the area from the corner of Glover and Main Street to Walgreens will be supported by the HVCEO plan. Ms. Stocker said this grant has to focus on commercial districts. There was discussion on whether or not the Borough could apply for similar type grants to support businesses. Ms. Stocker will look further into this. There is a pending STEAP grant for the area off Wendover and Church Hill Road. Mr. Burton encouraged the Board of Selectmen to pass the resolution saying that he would reinvest any reimbursed money into another project. Selectman Gaston moved to waive the reading of the certified resolution. Selectman Rodgers seconded. All in favor. Selectman Rodgers moved the Certified Resolution: WHEREAS, Sections 78 and 79 of PA 11-1, an act promoting economic growth and job creation in the state, created a program to provide grants not to exceed five hundred thousand dollars (\$500,000) to eligible Connecticut municipalities for the purpose of implementing the Main Street Investment Fund Program for undertaking eligible projects that are part of a plan previously approved by the governing body of the municipality develop or improve town commercial centers to attract small businesses, promote commercial viability, and improve aesthetics and pedestrian access; and WHEREAS, it is desirable and in the public interest that the Town of Newtown make an application to the State of Connecticut for a grant not to exceed \$500,000 in order to undertake eligible projects as permitted in the Main Street Investment Fund Program that will contribute to the economic success of Newtown and to execute an Assistance Agreement. NOW THEREFORE, BE IT RESOLVED by the Newtown Board of Selectmen:

 1. That the filing of an application for State financial assistance by The Town of Newtown in an amount not to exceed \$500,000 is hereby approved and that E. Patricia Llodra, First Selectman is directed to execute and file such application with the Connecticut Office of Policy and Management, to provide such additional information, to execute such other documents as may be required, to execute an Assistance Agreement with the State of Connecticut for State financial assistance if such an agreement is offered, to execute any amendments, decisions, and revisions thereto, and to act as the authorized representative of the Town of Newtown, Connecticut. Selectman Gaston seconded. All in favor.
 - 2. Business Incentive Program – 107 Church Hill Road:** Ms. Stocker said the state has a program that allows more than the local town program. Mr. Burton said that in the future the town should consider leaning more toward the state program; First Selectman Llodra agreed. Selectman Rodgers moved that the Board of Selectman recommend the approval of the application of Michael Burton for 107 Church Hill Road under the Business Incentive Program. Selectman Gaston seconded. All in favor.
 - 3. Road Acceptance:** Selectman Gaston moved to accept Fallen Leaf Lane into the Newtown Highway System. Selectman Rodgers seconded. All in favor. Selectman Rodgers moved to release the subdivision road bond for Fallen Leaf Lane, “Harvest Hills Estates” Subdivision in the amount of \$84,000 to David French & Sons Builders. Selectman Gaston seconded. All in favor.

4. **Driveway Bond Release/Extension:** Selectman Rodgers moved to release the driveway bond, in the amount of \$1,000, to David French & Sons Builders, for Bobcat Lane, M1, B2, L34. Selectman Gaston seconded. All in favor.
5. **Tax Refunds:** Selectman Gaston moved the September 2012 Tax Refunds #3 in the amount of \$18,430.97. Selectman Rodgers seconded. All in favor.
6. **Appointments/Reappointments:** There is a vacancy on the Conservation Commission for a democrat or unaffiliated voter. The last day to express interest is October 15 with an anticipated appointment date of November 5.
7. **General discussion on Charter Revision:** Suggested recommendations (Att. C) were discussed. This item will be discussed further at the Oct. 1 meeting.

VOTER COMMENTS: none.

EXECUTIVE SESSION: Land Acquisition – Selectman Rodgers moved to enter executive session for the purpose of discussion and possible action on land acquisition at 9:08pm. Rob Sibley was invited to attend. Selectman Gaston seconded. All in favor. Executive session returned to regular session at 10:00pm with no action taken.

ANNOUNCEMENTS: none.

ADJOURNMENT: Having no further business the Board of Selectmen adjourned their regular meeting at 10:02 pm.

Respectfully submitted,


Susan Marcinek, Clerk

Att. A: Fund Balance information, 6 pages

Att. B: Hawleyville Sewer Development, Sept. 13, 2012, 4 pages

Att. C: suggested Charter Revision Commission recommendations, 9/14/12

- Well funded pension plans and pro-active OPEB funding.

CHALLENGES

- Recent General Fund balance draws has reduced reserve position to levels below similarly rated municipalities

DETAILED CREDIT DISCUSSION

RESERVE POSITION WEAKENS AFTER THREE CONSECUTIVE YEARS OF DRAWS; RESTORATION EXPECTED IN FISCAL 2012

Newtown's financial position is down from historical levels following budgeted General Fund balance reductions from fiscal 2009 through 2011. Fiscal 2011 unassigned fund balance decreased to a recent low of \$7.4 million or a 6.9% of revenues compared to a recent high 14% of revenues in fiscal 2006. Positively, the town recently revised its fund balance policy, increasing its unassigned fund balance target from 5% to 8% of revenues. To that end, the town has taken steps to regain structural balance in its fiscal 2012 and has implemented a plan to restore fund balance to its new policy by fiscal 2014 and eventually within the 10% to 12% range over the medium term. The town's ability to stabilize its reserve position at levels consistent with its current rating category will be an important consideration in future rating reviews.

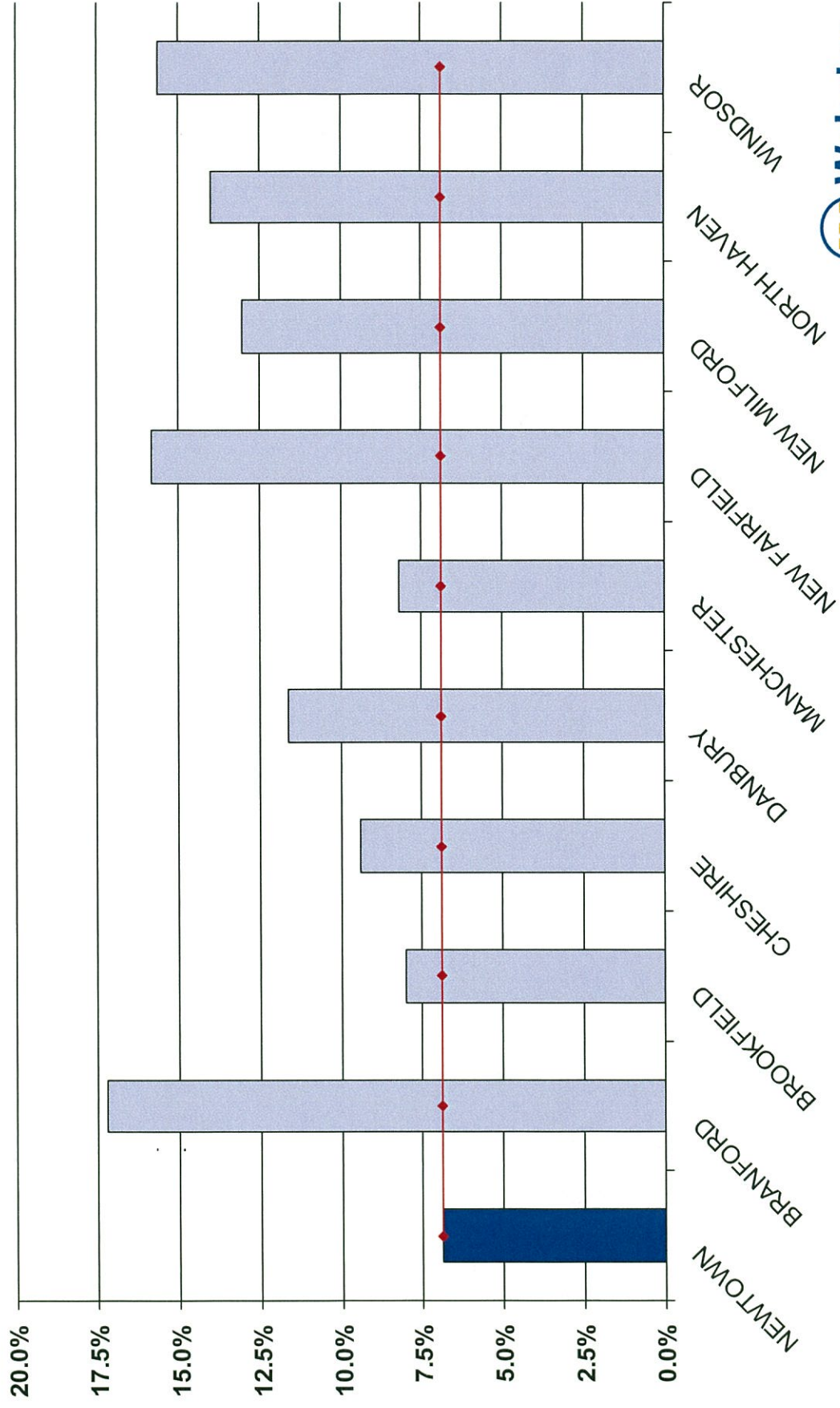
The adopted fiscal 2012 budget reflects a 1.22% increase from the prior year (budget-to-budget) and reflects a realignment of the town's cost structure to ensure structural balance going forward. The budget also included a modest 1.53% levy increase and no fund balance appropriation. Slightly more than halfway through the fiscal year (fiscal year end: June 30), town officials expect \$500,000 operating surplus, bringing the General Fund unassigned fund balance to \$7.8 million or about 7.4% of revenues. Preliminary budget documents for fiscal 2013 indicate 2.5% increase in spending (budget-to-budget) inclusive of a \$350,000 contribution to unassigned fund balance further improving unassigned fund balance to \$8.2 million or 7.6% of revenues in line with the town's plan to achieve an 8% unassigned fund balance by fiscal 2014. Importantly, the town the budget also includes steady contribution towards its pay-as-you-go capital program in the amount of 2.3% of spending, which Moody's views positively. Going forward, improvement in the town's financial position in line with its new fiscal policies will be a key rating driver.

As of July 1, 2011, the town's police pension system was 89% funded and the combined selectman and board of education pension plan was funded at 97%. While still strong the funded ratio's are down from 98% and 107% in 2008 due to market losses. The town continues to fund 100% of its annual required pension contributions (ARC) which amounted to \$1.2 million across both plans for fiscal 2011. The town's other post retirement benefits (OPEB) actuarial liability is a relatively modest \$3.7 million with a \$430,000 ARC. The town has established a trust to pre-fund the liability and paid approximately 37% of its \$739,000 ARC in fiscal 2011. The plan is currently 2.4% funded.

TAX BASE EXPECTED TO REMAIN; HEALTHY WEALTH INDICATORS

Moody's believes growth in Newtown's sizeable \$4.8 billion equalized net grand list (ENGL) will continue to lag historic levels reflecting the slow pace of economic recovery in the region. The town, located in Fairfield County along Interstate 84, is in close proximity to major employment centers including New York City (rated Aa2/stable outlook), Stamford (rated Aa1), and Norwalk (rated Aaa/Stable outlook). The primarily residential tax base (81% of assessed value) decreased at a five-year average annual rate of 1.8% inclusive of three consecutive years of declines reflective of statewide trends. Future grand list and employment growth is expected to be supported, in part, by renovations to a former Pitney Bowes facility by Advanced Fusion Systems, expected to be completed this spring. The project is expected to include a 30,800 sq. ft. addition and the town expects the company to add over 200 research and development jobs over the near-term. Additionally, looking ahead, the town has approved the construction of 132 age restricted homes and 45 independent living condominiums for the Woods and Newtown project as well as several other new mixed use and office buildings.

Unassigned Fund Balance as % of Revenues



TOWN OF NEWTOWN
UNDESIGNATED/UNASSIGNED FUND BALANCE ANALYSIS
FOR THE FISCAL YEAR ENDING 2006 THRU 2013

<u>Fiscal Year</u>	<u>Undesignated/ Unassigned Fund Balance</u>	<u>Total Budget</u>	<u>Percent of Budget</u>	<u>Change in Fund Balance</u>
2005-2006	8,777,567	90,056,226	9.75%	
2006-2007	8,171,392	95,370,206	8.57%	
2007-2008	7,821,198	99,935,877	7.83%	
2008-2009	7,636,522	105,464,444	7.24%	
2009-2010	6,903,051	102,910,715	6.71%	
2010-2011	7,408,816	104,284,615	7.10%	
2011-2012	8,108,816	105,555,075	7.68%	700,000
2012-2013	8,208,816	106,146,838	7.73%	100,000
2013-2014	8,608,816	107,208,306	8.03%	400,000 1.0% increase
2014-2015	9,008,816	108,816,431	8.28%	400,000 1.5% increase

Jun-12

UNAUDITED (REPORT NOT FINAL)

EXHIBIT F

TOWN OF NEWTOWN, CONNECTICUT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Property taxes	\$ 95,112,424	\$ 95,112,424	\$ 94,848,822	\$ (263,602)
Intergovernmental	7,976,701	7,976,701	7,994,353	17,652
Charges for services	1,919,600	1,919,600	1,827,227	(92,373)
Investment income	300,000	300,000	157,249	(142,751)
Other	246,350	246,350	684,955	438,605
TOTAL REVENUES	105,555,075	105,555,075	105,512,606	(42,469)
EXPENDITURES:				
Current:				
General government	8,153,285	4,213,457	4,074,105	139,352
Public safety	6,537,892	8,654,643	8,524,873	129,770
Health and welfare	2,047,526	2,440,730	2,432,401	8,329
Land use	467,461	587,432	566,427	21,005
Public works	8,049,795	9,246,109	9,094,378	151,731
Parks and recreation	1,815,296	2,196,550	2,128,171	68,379
Education	67,971,427	67,971,427	67,675,484	295,943
Contingency	400,000	75,229	75,229	75,229
Debt service	9,722,393	9,722,393	9,344,261	378,132
TOTAL EXPENDITURES	105,165,075	105,107,970	103,840,100	1,267,870
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	390,000	447,105	1,672,506	1,225,401
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance			22,536	22,536
Transfers in			29,086	29,086
Cancellation of prior year encumbrances			(446,946)	159
Transfers out	(390,000)	(447,105)		
NET OTHER FINANCING SOURCES (USES)	(390,000)	(447,105)	(395,324)	51,781
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,277,182	\$ 1,277,182
FUND BALANCE - JULY 1, 2011			7,408,816	
FUND BALANCE - JUNE 30, 2012			\$ 8,685,998	

The notes to the financial statements are an integral part of this statement.

TOWN OF NEWTOWN
UNDESIGNATED/UNASSIGNED FUND BALANCE ANALYSIS
FOR THE FISCAL YEAR ENDING 2006 THRU 2013 AND BEYOND

<u>Fiscal Year</u>	<u>Undesignated/ Unassigned Fund Balance</u>	<u>Total Budget</u>	<u>Percent of Budget</u>	<u>Change in Fund Balance</u>	<u>Budget Increase</u>
2005-2006	8,777,567	90,056,226	9.75%		
2006-2007	8,171,392	95,370,206	8.57%		5.90%
2007-2008	7,821,198	99,935,877	7.83%		4.79%
2008-2009	7,636,522	105,464,444	7.24%		5.53%
2009-2010	6,903,051	102,910,715	6.71%		-2.42%
2010-2011	7,408,816	104,284,615	7.10%		1.34%
2011-2012	8,358,816	105,555,075	7.92%	950,000	1.22%
2012-2013	8,458,816	106,146,838	7.97%	100,000	0.56%
2013-2014	8,858,816	107,208,306	8.26%	400,000	1.0% increase
2014-2015	9,258,816	108,816,431	8.51%	400,000	1.5% increase
<u>MEDIUM TERM</u>					
2015-2016	9,758,816	110,448,677	8.84%	500,000	1.5% increase
2016-2017	10,358,816	111,553,164	9.29%	600,000	2.0% increase
2017-2018	11,058,816	113,784,227	9.72%	700,000	2.0% increase
2018-2019	11,858,816	116,628,833	10.17%	800,000	2.5% increase

2011 – 2012 GENERAL FUND SURPLUS

(EXCESS REVENUES OVER EXPENDITURES OR NET INCREASE IN FUND BALANCE)

ESTIMATED SURPLUS DURING THE BUDGET PROCESS	\$700,000
UNAUDITED SURPLUS AFTER CLOSING PROCESS	\$1,200,000

THE DIFFERENCE IS MAINLY DUE TO REVENUE FORECASTS. REVENUES ARE MUCH HARDER TO FORECAST THAN EXPENDITURES:

- TAX COLLECTIONS WERE BETTER THAN FORECASTED END OF FISCAL YEAR COLLECTIONS WERE \$100,000 MORE THAN PRIOR YEAR.
- INTEREST ON INVESTMENTS WERE BETTER THAN FORECASTED DUE TO AN INCREASE IN MARKET VALUE OF CERTAIN CD'S. INCREASE IN MARKET VALUE = \$50,000.
- REVENUE FROM POLICE OUTSIDE SERVICES WAS \$125,000 MORE THAN PRIOR YEARS BECAUSE OF THE TWO STORMS. THIS WAS NOT EVIDENT UNTILL THE ACCOUNTS RECEIVABLE AMOUNT WAS BOOKED IN AUGUST.
- LAND FILL PERMIT REVENUE WAS \$40,000 MORE THAN EXPECTED. THIS CAME IN DURING THE LAST TWO WEEKS OF JUNE.
- THE STATE REVENUE SHARING ACCOUNT WAS \$75,000 MORE THAN EXPECTED. THIS WAS NOT KNOWN UNTILL THE STATE MADE AN AUGUST PAYMENT (PAYMENT BELONGED TO 2011-12). THE STATE ORIGINALLY SAID THE TOWN WAS NOT GOING TO GET THIS MUCH DUE TO LOWER THAN EXPECTED SALES TAX COLLECTIONS.
- CANCELLATION OF PRIOR YEAR PURCHASE ORDERS CONTRIBUTED \$29,000 TO UNANTICIPATED REVENUES.

THE ABOVE ITEMS ACCOUNT FOR 75% OF THE DIFFERENCE BETWEEN THE ESTIMATED SURPLUS AND THE UNAUDITED SURPLUS AFTER CLOSING.



TOWN OF NEWTOWN
PUBLIC WORKS DEPARTMENT

September 13, 2012

Hawleyville Sewer Development – 2012 / Part II

The last "Overview" estimated \$5,000,000 in overall project cost to develop sewers in Hawleyville and existing benefit assessment of \$3,500,000 leaving a gap of \$1,500,000 in cost versus revenue. There have been significant game changers since that analysis this spring.

Our professional appraisal firm feels that if we did this project as a defined sewer district with mandatory hookups, the sewer benefit assessment for all properties yet to hook up would be at today's value. This positively impacts the potential revenue for virtually all revenue components. This opinion coupled with the current revaluation produces the significant results.

CHANGES TO EXISTING REVENUE ESTIMATES:

First, the property revaluation this year will have a significant upward value impact on undeveloped commercial land. This type of land was undervalued even with the recent recession. In the spring analysis, undeveloped commercial land was assessed at \$5,054,963, in Hawleyville, from an earlier tax assessment. The new, preliminary Tax Assessor estimate is that this assessment will rise to \$8,279,766. This would increase the potential existing sewer benefit for this item from \$815,194 to \$1,324,762 for a gain of \$509,568 in revenue for the existing property.

Second, commercial developed property value for property tax purposes will actually show a decrease from 2007. However, the original sewer benefit analysis was based on 1997-2002 values. Commercial property values since 2002 have increased 7%+ after allowing for the recession. The spring assessed value would rise from \$15,059,875 to \$16,114,066 and raise the potential existing sewer benefit for this item from \$1,957,776 to \$2,094,829 for a gain of \$137,053 in revenue.

Third, the old individual residential rate of \$13,000 would be raised to a current residential rate of approximately \$15,000 per unit which would raise this revenue item from \$520,000 to \$600,000 for an \$80,000 revenue gain.

Fourth, using the same 7% increase for commercial developed property from 2002, would increase the trailer park pad value in total from \$200,000 to \$214,000 for a further revenue gain of \$14,000.

The summary of the revenue changes are as follows:

Item	Spring	Fall	Variance
Commercial Vacant Land	\$815,194	\$1,324,762	\$509,568
Commercial Developed Land	\$1,957,776	\$2,094,829	\$137,053
Residential Units	\$520,000	\$600,000	\$80,000
Trailer Park	\$200,000	\$214,000	\$14,000

Totals	\$3,492,970	\$4,233,591	\$740,621

CURRENT PROJECTS WITH EXISTING SEWERS:

There are currently two commercial projects moving thru P&Z that both have existing sewers in front of them, in Hawleyville. The total value of these projects is approximately \$3,000,000+. When fully developed they may exceed that estimate. As a sewer revenue item, they represent approximately \$273,000 using assessed value and our commercial developed property multiplier if 13%.

NEAR TERM PROJECTS IN THE PROJECT AREA WITHOUT SEWERS:

There is a third project located on Mount Pleasant outside of the existing sewers but within our project area. The owner indicates they will come forward to P&Z sometime later in September or October. The potential assessed benefit value of this project is currently under review but will exceed \$500,000 if the development totals \$5-6 Million as planned.

WHERE DO WE STAND? SEWER REVENUE versus PROJECT COST

Revised Existing Revenue:	\$4,233,591
Current New Projects:	273,000
Near Term Project:	500,000

Totals:	\$5,006,591
Project Cost	(\$5,000,000)
Result	\$6,591

ANNUAL TOWN PROPERTY TAX POTENTIAL

Taking the two items noted above, at an assessed value of 70% and a reduced mill rate of 20 versus 25 reflecting an estimated change in the mill rate that will accompany the revaluation would produce the following new annual property tax:

Current Projects In The Sewer Area:

$\$3,000,000 \times 70\% \times .020 = \$42,000$

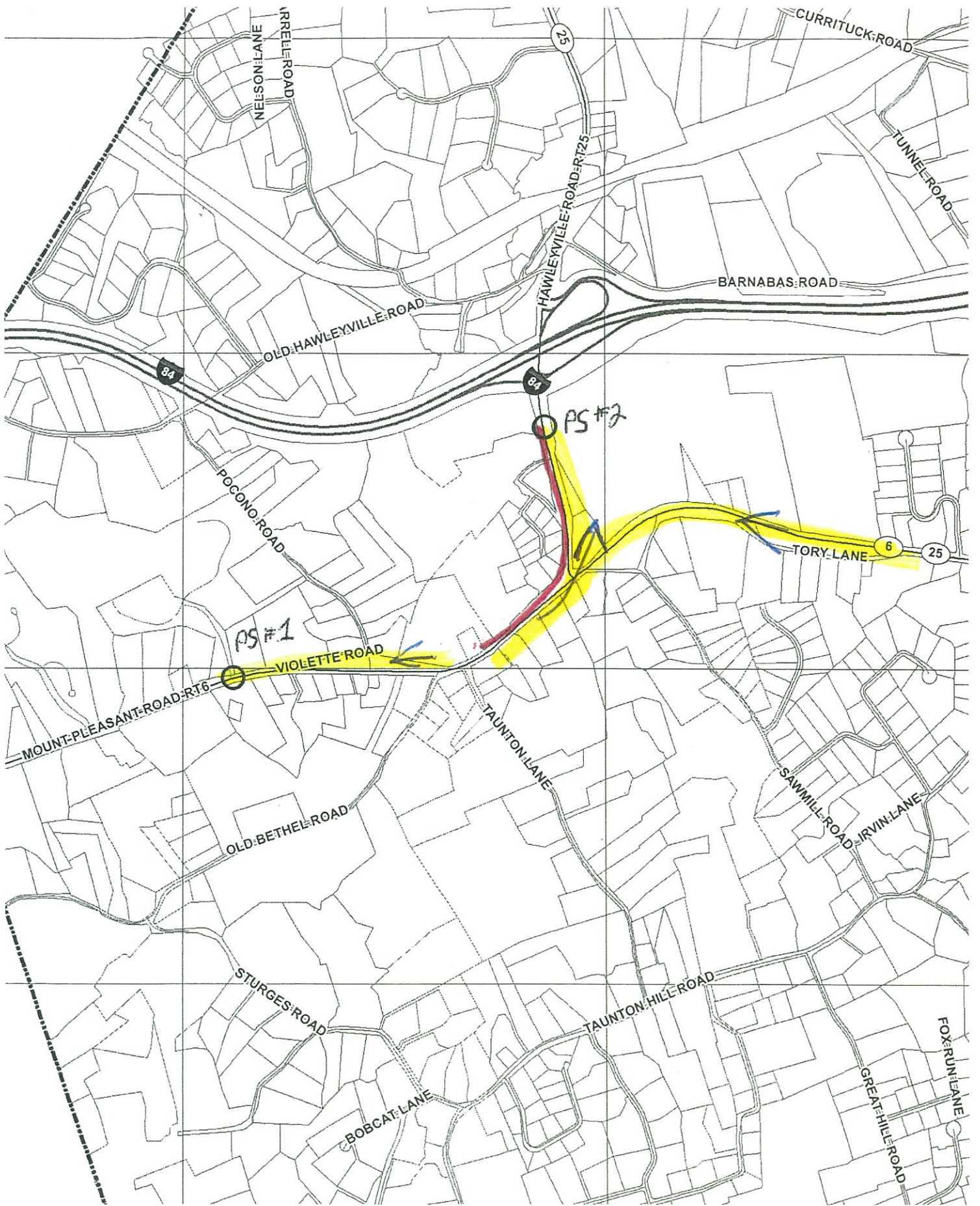
Near Term Project In Project Area

$\$5,500,000 \times 70\% \times .020 = \$77,000$

FINANCING

\$5 Million amortized at 2% over 20 years requires annual payments of \$305,784. The existing sewer benefit revenue provides 84.67% of the bond payment or \$258,907. If there were no existing projects or near term projects, the Town would have to come up with the remaining \$46,877 annually. If the existing projects are completed, the sewer benefit provides 90.13% of the bond payment or \$275,603. This would then leave \$30,181 for the Town to pay with expected new income of \$42,000 for a net gain overall. This does not include any new revenue from the two largest development properties in the project area.

CONCLUSION: This project could go forward with little or no impact on Town cash flow and substantial new revenue potential.



Charter Commission recommendations

Boards/Commissions

- Add language for Pension Board; Employee Medical Benefits Board
- Change/update language for Board of Fire Commissioners

Disposition of Property

- Eliminate sealed bid, public auction
- See Ridgefield Charter page 9, section 3-9

Budget not approved by end of fiscal year...

“The Town shall operate under the budget authorization of the previous fiscal year until a new budget is passed by the referenda.”

Appropriations

- Move action on special appropriations to the annual budget referendum for items that are at or exceed the current CIP limit of \$250,000.
- Eliminate Town Meeting except for Emergency Appropriations
- Define Special Appropriations vs. Emergency Appropriations