

**MINUTES OF THE CHESHIRE TOWN COUNCL BUDGET COMMITTEE MEETING
HELD ON TUESDAY, OCTOBER 18, 2016, AT 7:00 P.M. IN ROOM 210, TOWN
HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410**

Present

Timothy Slocum, Chairman; Michael Ecke and Sylvia Nichols.

Council member Thomas Ruocco.

Staff: Michael A. Milone, Town Manager; Finance Director James Jaskot; Town Clerk
Laura Brennan; Town Engineer Walter Gancarz

1. ROLL CALL

The clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

3. DISCUSSION OF WATER POLLUTION CONTROL AUTHORITY USER FEE

Mr. Gancarz distributed information the funding impact of a user fee increase.

The data is for the year going forward.

There are 4,795 residential users paying a flat rate of \$383 generating revenue of
\$1.836 million.

There are 167 senior citizen users paying a fixed rate of \$339.19, generating \$56,644 in
revenue.

There are commercial users paying \$2.95 rate, generating \$604,000 in revenue.

CCI - pays \$2.95 rate generating \$739,104 in revenue (10 months of date, with 2
months pro-rated). Last year CCI revenue was \$751,000.

Total estimated revenue = \$3,376,622; total WPCD budget is \$3,426,342; this is a
shortage of \$140,000.

Due to a very dry year flows have been down including flows from the prison (CCI).

There was data on varied rates - \$385, \$390, and \$400. Page 3 reflects the projections
for a \$400 sewer use rate, with total revenue of \$3,376,622. WPCD budget is
\$3,426,342. In order to have enough revenue the \$400 annual sewer use rate would
have to be set. The operating budget has a \$88,680 surplus, which could be used for a
one time payment for the interest during construction.

Mr. Jaskot noted that the revenue projections were based on normal flows.

Since the time the estimated flow data was developed, Mr. Milone advised that now there is actual flow data. As a result of that, and dry summer, the infiltration at the prison has gone down dramatically, and other numbers have also decreased.

Mr. Ecke asked about lower operating costs for the plant with a decrease in flows.

Mr. Gancarz said there is less electricity and chemical usage, but not enough to offset the decrease in revenue.

With the rate going from \$390 to \$393 there is a shortfall of \$56,000 between revenue needed and what will be generated. With taking the fund balance of \$88,860, Mr. Milone said we are still ahead.

Page 3A - there is the \$393 rate cited, and fund balance of \$88,680. The staff requested an increase in the rate to build up the fund balance to pay debt service.

In the calculations, it was explained by Mr. Milone that Mr. Gancarz was showing that using actual measured flows, the flows are down. At \$393 user rate there is only about \$33,000 to put into the fund balance due to the \$55,000-\$56,000 shortage...between the \$393 rate and what is needed to balance the budget.

The information handed out by Mr. Gancarz is an update from the committee packet sent out earlier in the week.

Mr. Ruocco asked about where we are with operating costs of the plant.

It is too early to tell, and Mr. Jaskot said the first quarter data will be reviewed in the next few weeks.

With regard to when WPCA sets the new sewer use rate, Mr. Gancarz informed the committee that there is a October 26th public hearing, 7:00 p.m. on the issue of the rate increase. In order to set the public hearing the maximum rate of \$400 was cited, as the Authority can only go down from that rate...and cannot increase the rate. The adoption of the new rate will be an action of the WPCA meeting of October 26th. The current rate is \$383. Mr. Gancarz advised that plant flows are the lowest in many years.

Mr. Slocum noted that during the Council budget the rate was set at \$393 without an official rate setting. The current rate is \$383...going to \$400 is a \$17 increase, and all operating costs of the plant are still unknown.

The committee was told by Mr. Milone that staff wanted to show variation of user charges. At \$393 rate WPCA will still add money to the fund balance, and this is a WPCA decision.

Mr. Ecke commented on the fact that the entire town is subsidizing the function of the treatment plant, and over time this should be shifted to the people using the sewer system. He said an increase of \$5 to \$10 a year is not too high an increase.

With a debt payment of \$1.7 million, Mr. Gancarz said one-half is to residential and commercial users. \$850,000 divided by 5,000 users is a \$170 increase to \$570 a year sewer user charge. Mr. Gancarz stated that Cheshire's rate is at the median level of other towns.

There was an attempt to get a two-tier user fee for the prison and other non-profit organizations. Mr. Milone reported that this received a legal opinion, and Attorney Smith advised this cannot be done...it is unconstitutional.

At the \$393 sewer use rate, Mr. Milone said some surplus will be generated for the fund balance. The sewer use bills go out in late November or early December, with payment required by February 1, 2017.

4. TOWN CLERK USE OF DOCUMENT FUNDS

Town Clerk Brennan reviewed her memo of July 27, 2016 which outlined the use of the appropriation of Historic Document and Town Clerk funds for FY 16-17. She noted that all the items stated area the same as the prior request before the Council. The Historic Document Fund is \$63,101 and the Town Clerk's Fund is \$61,374.

Ms. Brennan reviewed the legislative bill of 2003 which added \$3.00 to the recording fees, with \$1.00 going to the Town Clerk and \$2.00 to the State. \$5,000 was received this year from the historic preservation grant. Through the Community Investment Act Fund the fee is \$30; \$26 goes to the State; \$3.00 to the Town's general fund; and \$1 to the Town Clerk Fund to help with administrative costs. In 2013, the Mortgage Electronic Registration Systems Inc. (MERS) was added with the Town Clerk collecting \$159 for documents associated with MERS. \$110 goes to the State; \$39 to the general fund; and \$10 to the Town Clerk fund. The Historic fund must be used for restoration or training, and there has been no expenditures from this fund to date, but money can be spent for cabinets or vault shelving.

The committee was informed by Mr. Milone that these funds do not show up in the operating budget. They are appropriated as a grant or gift, and cannot be spent without Council approval.

With the proposed spending request, Ms. Brennan advised there would still be a balance in the funds. She cited things to be done with this money - such as bringing the vault up to code, and other vault projects with assistance from Public Works, Fire Department, and the State Library. The microfilm of documents is stored with Iron Mountain.

Contractual Services \$20,000 - the money would be used to back enter the land records index, uploading land records back to 1780. Uploading more document images will be

done using the fund, and these two projects will take years to complete in stages to help stagger costs. Cheshire's land records are on uslandrecords.com.

Office Equipment \$7,000 - funds to be used for a credenza in the Town Clerk's office to store historic documents; the current desk is old and will continue to be used; chairs and a lap top computer are needed for the department. The lap top will help with dog licensing and election day registrations outside of the office...like an annex.

Meetings and Conferences \$3,200 - Ms. Brennan would like to attend the Connecticut Conference, New England and International Conferences. She is working on her Master's Degree in Municipal Clerk, and receives education points for attending conferences. Ms. Dickinson would attend the New England Conference training in New Hampshire, \$850 cost for one week.

Mr. Brennan informed the committee that the Town Clerk has nothing of value stored in the town hall basement. The old vault records are being organized and this task is going very well.

MOTION by Mr. Ecke; seconded by Ms. Nichols.

MOVED that the request for Town Clerk Brennan for appropriation of funds from the Historic Document Fund and Town Clerk's Fund be moved to the full Town Council for consideration and approval.

VOTE The motion passed unanimously by those present.

5. OPTIONS FOR STATE AID REDUCTIONS

Mr. Milone reported on the final State adopted budget resulting in a reduction of \$423,787 of state revenue to the Town of Cheshire.

The PILOT program was reduced by \$245,000; the Pequot/Mohegan grant was reduced by \$220,000; this is a total of \$465,000.

The State touted the fact of the MRSA program with Cheshire receiving \$855,170; this was reduced to \$594,000 (loss of \$261,000 revenue). Before getting to this point, the State reduced the PILOT and Pequot funds by \$465,000; the net result was \$129,000 more. This program imposes a 2.5% cap on the expenditure growth and mill rate limit on the motor vehicle taxes. Mr. Milone stated this will be fought vigorously by the municipalities, and the CCM numbers cited are correct. The numbers are trending, and are consistent with those stated.

Page 5-2 - identifies where there is money available at this time. When the budget was originally proposed to the Council, it was thought the town would be under by about \$235,000. We were under budget on the expenditure side by \$783,000.

With regard to the Board of Education (BOE) Mr. Milone asked there be consideration of their contribution to the shortfall. One of the large losses was Public School Transportation at \$155,000, and non-public transportation of \$35,000. This represents a revenue loss to the BOE of \$141,773. Mr. Milone is asking the Council to make the request that the BOE, which has the funds available with significant savings on medical benefit rates and stop loss insurance coverage, to under-expend their budget by \$141,773 to make up for the municipal aid loss.

It was stated by Mr. Milone that in the past Supt. Dr. Florio would do this...if the BOE revenues were cut, he would cut the expenditure side of the budget by the same amount. It is hoped this will continue with the BOE with a formal request from the Town Council.

Mr. Slocum asked about the operating budget process, some of the savings to be realized, and how there is more savings.

When the decisions were made on the excess insurance, Mr. Milone said the budget was already adopted.

Page 5-2 - The medical rates are flat; a 1% increase was budgeted with almost a \$32,000 savings. The BOE savings is 3 or 4 times that amount. For stop loss insurance savings, the Town generated about \$55,000, and the BOE savings is 3 or 4 times that amount.

Debt service savings results from the refunding last year; debt service savings this year generates \$101,560. The savings generate \$188,717. No projects have to be frozen at this time. There are contingency funds which can be used, and \$280,000 balance in C.N.R.

It was explained by Mr. Jaskot that the C.N.R. has a balance of \$280,000...after using \$290,000 for the BOE concession stand project. In one of the Town Clerk's fees there is \$3.00 to the town which has been ongoing since 2006 into the C.N.R. account. There has accumulated \$150,000 to 160,000 in the C.N.R. and these funds can be used for any C.N.R. project. With debt projections this year, Mr. Jaskot did add this into the available C.N.R. balance.

Mr. Milone noted we have the C.N.R. money without having to cut projects in the capital expenditure plan...we can still fund \$1.1 million with another \$280,000. Excess tax collection is another potential revenue to the Town. If things continue to get bad, there will be cutting of expenses.

Mr. Milone asked for the Town Council, through a letter signed by Chairman Oris on behalf of the full Council, take a formal action and request to the BOE to make up their shortfall of their revenue loss. The Budget Committee would forward this recommendation to the full Town Council.

In this letter to the BOE, Mr. Slocum said there should be mention of potential additional State revenue losses to the Town.

Mr. Ruocco asked about possible reduction in town services.

This is not on the table at this time, and Mr. Milone said the Council wants BOE support of the revenue shortfall. He said the losses can be absorbed as outlined. If the deficit gets worse he will have to put a freeze on, and Mr. Milone would like the BOE to absorb some of the lost revenue. Right now we are making up everything with Town funds, not BOE funds.

Before the Town finalized its operating budget, Mr. Ruocco said the State cut our revenue by \$450,000. After the budget the State cut another \$423,000. He has concerns about \$783,000 of services in the budget, and going into next year we know this revenue will not be made up.

Mr. Milone explained that the cuts in the PILOT and Pequot funds were in the first phase. When the Council adopted the budget about \$465,000 was taken out, and then there was another reduction of \$423,000 in revenue. In total from last year to this year the Town has seen a \$880,000 loss in State revenue; half was made up when the budget was adopted.

It was stated by Mr. Ruocco that this is the lowest State revenue environment, and it will continue, and we have to operate in this environment. He would like to see where reductions of \$300,000 can be made.

Mr. Ecke commented on his theory...the Town and BOE are one team. The Town has lost \$423,000 in State revenue, and it should be shared proportional to how the money is spent. It should be 60% BOE and 40% Town. In the past the Town side has always taken all the hits. If all the cuts were \$400,000 in education the Town would share in the reduction. Mr. Ecke said the Council was more generous to the BOE budget this year when it passed the budget.

It was pointed out by Mr. Milone that the Council recently appropriated \$290,000 from the C.N.R. for the concession stand project. If that had not been appropriated it would still be available to offset the revenue losses.

Mr. Ecke stated the world has changed, but the BOE does not believe this, and is not funding or managing their operation that way.

There was a brief discussion on the status of the teachers' contract negotiations, which has a 3% salary increase in each of the three years of the contract. It is understood the matter is going to arbitration.

Mr. Slocum stated it is reasonable for the Budget Committee to advance a suggestion to the BOE to assist with offsetting the reduction in State revenue based on the fair ratio.

In the Town budget, Mr. Milone cited the proportionate increase to the BOE at \$1.74 million and the Town \$1.1 million. The share of the revenue loss could be 50/50. The BOE has a very healthy trust fund.

6. FY '18 BUDGET: UTILIZATION OF DEBT SERVICE RESERVE FUNDS.

Page 6A - Use of Debt Reserve/Percentage of Five Year Total Debt Increase. The proportionate debt service reserve/proposed is \$6,505,337.

Mr. Milone reviewed the calculations for five (5) years of debt service projects. Town staff is figuring out a way to spread out the \$6,505,337 in the debt reserve, and it was done two different ways. Each amount was taken as a percentage of the debt service. FY 2018 \$10,279,645 debt is 21.28% of the five year total; FY 2019 it is \$9,337,022 of the debt service. The percentages were multiplied against the amount of money in the reserve, and in doing this the debt is reduced to the net debt amounts. In year #1 the increase is dramatic...it is only reduced by \$1.3 million, while still having a \$2 million increase from the prior year.

Page 6B - - Use of Debt Reserve/Percentage of Five Year WPCD Debt Increase. The proportionate debt service reserve/proposed is \$6,505,337.

In this case the debt over 5 years (to 2022) is \$48,315,537. The actual spikes are cited, how debt service was added by the upgrade to the WPCD in each of the 5 years, and the percentage distribution was changed.

In FY 2018, \$3,267,851 is 35.17% of the total debt of \$10,279,645. The first year was flattened much better. Multiplying the 35.17% by \$6,505 million, it is \$2,287,737.

This is the option to be used in distributing the proportionate share of the \$6,505 million. It brings the debt service down to \$7,991 million in FY 2018; the increase from the prior year is \$1.264 million. Mr. Milone and Mr. Jaskot looked at a way to smooth out the increases and spread it so less is hitting this year, and more hitting the next year.

Other sources of funds were looked at to offset the money in the debt reserve. General Fund Balance is about \$9.8 million, which is \$1.4 million in excess of the 8% to be maintained in the fund.

Year #1 - There is \$200,000 energy rebate funds; \$200,000 WPCA; \$200,000 from fund balance; and increase in tax collection rate of 1/10th of 1% = \$100,000. The revised increase is then \$579,000.

Mr. Milone and Mr. Jaskot wanted to make sure the increases were manageable and not volatile from one year to the next. In year #2 another \$200,000 was put in from the energy rebate, another \$200,000 from the WPCD fund, and \$100,000 from the general fund balance...and, C.N.R. funds can be used.

Amortization Schedule, \$1 million at 4% interest, 20 years - Mr. Milone talked about not using \$100,000 from C.N.R. towards a capital project, but towards the debt service. The project would require borrowing. It would end up costing about \$143,000 in interest for the \$1 million. Taking \$100,000 and redirecting C.N.R. money just to pay debt service, it would cost \$143,000. This is not desirable, but is another option without having to deconstruct the budget too badly and fragment it. This is another source to pay the debt service.

Doing nothing, the increase is \$3.267 million. Mr. Milone said we need a plan to manage this amount, and then work from there dealing with the other elements of the budget. There is more fund balance and energy rebate money that could be used. The FY 2018 increase is \$1.2 million, which is .45% of a mill. It was pointed out by Mr. Milone that the reserve fund would be depleted over a five year period. He noted the Town still has the lawsuit against the DOC at \$7.4 million, but there are no plans for this money. Using all the funds stated the debt service increase is \$579,725.

According to Mr. Milone, there is the assumption that we will continue to have a surplus to cover the \$700,000 already used. The gross WPCD increases are being used to come up with the percentage to be used in the debt reserve.

Mr. Milone stated there are decisions to be made before the next operating budget. Fiscal years 2017 to 2022 will be spikes for the WPCD. The retroactive interest must be paid in FY 2017-2018. Under Mr. Jaskot's estimates the debt service will go from \$6.7 million to \$10.3 million.

Mr. Slocum requested a summary page reflecting the total reserves going down.

Mr. Milone will provide this information to the committee.

7. ADJOURNMENT

MOTION by Mr. Ecke; seconded by Ms. Nichols.

MOVED to adjourn the meeting at 8:30 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk

7. ADJOURNMENT

MOTION by Ms. Nichols; seconded by Mr. Ecke.

MOVED to adjourn the meeting at

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk