

MINUTES OF THE CHESHIRE TOWN COUNCIL JOINT SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON WEDNESDAY, MARCH 11, 2015, AT 6:30 P.M. IN ROOM 207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Tim Slocum, Council Chairman; David Schrumm, Budget Committee Chairman.

Council Members: Patti Flynn-Harris, Liz Linehan, Sylvia Nichols, Robert Oris Jr., Thomas Ruocco, James Sima, Peter Talbot.

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director; Vincent Masciana, Director of Management Services, Dept. of Education.

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. PROPOSED FY 2015-2016 OPERATING BUDGET

General Overview:

Summary of Expenditures, Detail of Items of Expenditures/Key Cost Drivers, Revenues, Mill Rate Review, Fund Balance Policy, Reserves, Contingency, Debt Service/Debt Service Reserve, C.N.R.

Town Manager Milone distributed a workshop handout to those present.

Budget Book - Page 1. The proposed budget of \$107,292,725 included a cut of \$2.2 million from this amount requested, and represents the largest budget adjustment ever made by Town Manager Milone.

Page 2 - for the last 5 years there has been an austere budget; department heads have been comfortable asking for what their broad needs; can talk to the Council the demands placed on their staff and programs; and the Town Manager makes decisions from there.

Handout, Page 1 - illustrates the impact of the mill rate variations on the average taxpayer from 30.25 current mill rate to 31.45 mill rate, with budget adjustments, expenditures and revenues, made to get to a set mill rate. For every 1/10th of a mill rate change there is a \$23 revenue reduction.

Current Mill rate 30.25 mills - average taxpayer, house and two motor vehicles has taxes of \$6,945.

Proposed Mill Rate 31.45 mills - average taxpayer, house and two motor vehicles would have taxes of \$7,221, a \$276 increase, or 3.97%.

At a mill rate of 30.85 mills, taxes would be \$7,083; increase of \$138 or 1.98%, with a budget adjustment of \$1.604 million.

Mr. Talbot requested information on the mill rate, after revaluation, on individuals who saw a tax reduction last year, and for the average taxpayer FY 2013-14 as opposed to looking at 2014. He believes, even at the 31.45 mill rate, there will still be individuals paying less taxes than in 2013.

Stating that this correct, Mr. Milone said after the reval last year, there was a close look at 12 representative properties in Town. There can be an analysis done on the impact of the higher mill rate, how much the taxes went up or down, build off of that with the proposed mill rate, and have a better sense of where things are.

Regarding enhancement of services, Mr. Schrumm pointed out that this has been done, and referred to full day kindergarten, increase in Library hours, new park equipment etc.

Page 3 - Category of Key Areas FY 15-16 Total Increase General Government is \$1,169,146. Key areas total \$1,115,337. The key areas of Personnel Services, Pensions, Leases, Medical/Life Insurance, Equipment Maintenance comprise 95% of the increase. \$512,741 is Personnel Services for all wage related line items.

Handout, Page 2 - Mr. Milone referred to the detail of salary accounts, the FY 2015 Town Manager recommended total of \$13,321,569, and costs within each category listed.

Sal.Dif./Perf. Award - The Cheshire Police Department officers get salary differential/performance awards - total of \$103,000 which includes Longevity Pay at \$20,000, Sick Day Bonus for sick days over 150 paid in July totals \$17,000, Education and Military stipends each year total \$20,000, 3 months w/o sick time CPD officer receives \$100 per quarter for each officer, and shift differential pay totals \$48,000.

T/P/T - includes one day poll workers at \$30,000.

Snow & Ice call in for PW Maintainers - \$21,000.

Performance Awards and Longevity Awards are paid based on union contracts.

These numbers are included in Personnel Services on page 3 of the budget book.

Handout, Page 3 - Salary Account New Requests Detail. Permanent Full Time has 5 new positions requested at \$142,777; this amount is included in the \$512,741 Personnel Services amount. All position changes reflect implementation on January 1, 2016, with the exception of 2 of the CPD Dispatchers' positions (July 1st and October 1st).

Permanent Part Time - department heads will speak to each of these requests during the budget process; one is Town Clerk's office and two in Social Services for Senior Services.

Temporary Part Time - Library extended Sunday hours to 20 weeks (from 13 weeks) for Pages, at cost of \$7,108.

Parks and Rec Department - three lifeguards at Mixville Park for Summer 2015; all camps will be relocated to Mixville Park with many children using the Pond; and there is a need for better security with lifeguard presence. Cost of \$15,000.

Social Services - \$6,000 additional hours for program assistants; corrected information from last year's budget.

Salary Adjustment - accrual for 27th payroll has an extra day this year; total \$50,201.

Special Revenue Fund - PW Electrician to 40 hours, cost of \$8,369.

Of the \$512,741 salary increase, there is \$230,159 attributed to the summary on Page 3 of the handout.

Budget Book, Page 6 - Board of Education Component. Mr. Milone explained that the BOE added \$575,000 to the Superintendent's proposed budget, and the Town Manager removed the \$575,000 from the BOE budget. The additional BOE funding was to be distributed among Instructional Expenses, Support Services and Maintenance and Operations, and is not included in the Town Manager's recommendation. There is a possibility that these items can be funded with C.N.R. when the capital budget is done, as C.N.R. has supported Support Services and Maintenance and Operations in the past. Mr. Milone said Instructional Services cannot be supported out of C.N.R. He has informed the BOE Chairman Brittingham and BOE members of his decision.

Budget Book, Pages 7 and 91 - \$7,039,499 or 6.56% of the total budget. Total decrease of \$693,048 or 8.96%.

Page 91 - illustrates the current debt service being paid, broken down by categories. \$7.039 million is budgeted for the General Fund piece. WPCA is paying the \$589,184 out of their budget.

Interest on the newly issued bonds - \$360,000 and \$86,000 is interest on the \$15 million issued in February. Mr. Jaskot said interest was higher than originally thought. Mr. Milone used \$68,000 of the debt service reserve fund to balance it back to where it should be.

Mr. Milone used the premium, which bumped up the interest expense in year #1, and he had to come back to the \$7,039 million for debt service, using the interest over what was projected.

Last year Mr. Jaskot projected 3.25% assumption on the \$15 million. The Town only paid true interest cost on this money at 2.59%; with the large premium we are paying more than that -- 3.167% averaged out over the 20 year term. The premium will go into the debt service reserve fund.

There was refunding of bonds this week; money goes into the escrow account; pays the bonds down to the call date and then they are retired. \$253,809 total savings with \$210,755 savings to be realized in FY 2016; and this money is not built into the proposed budget. The money can be utilized to reduce debt in this budget or go into the debt service reserve fund.

At this time, there is \$6.148 million in the debt service reserve account. The Council can strategize on how to use some of this money to cut the spike before the increase hits in 2 years, and use in subsequent years.

Mr. Milone commented on the timing of the W.S. Development project which could generate significant tax revenue and mitigate having to use some of the reserve funds. It is hoped the Town will get some money from the State following the September Claims Commission hearing. The claim goes to the State Legislature by February 2016.

It was explained by Mr. Milone that money from the refunding held late last week is not included in the proposed budget because he had locked in his numbers. Therefore, the \$210,755 could not be used for debt service, but it will reduce debt service next year, with the money available, but not allocated.

Mr. Jaskot said the \$7.039 million shown is a decrease of 8.96% over prior years, the lowest ever paid in debt service, and it could be reduced further.

Debt Service Reserve Fund - FY 2015 and FY 2016. The bond sale premium was a total of \$773,000; there was \$90,000 in associated sale costs; the net amount is \$678,325 added to the fund. In FY 2016, \$68,757 use of reserve is taken out. \$6.15 million is projected in the fund which will be held until the 2018 spike.

Page 142 - Long term debt projections. Mr. Jaskot noted that the interest on the bonds just issued was 3.16%. He will update the projections. The \$254,000 savings from refunding bonds is not included in the calculations.

FY 2016 Projection of \$7,520,559. Last year's refunding sale had \$770,000 in savings; \$220,000 was used to reduce last year's debt service line item; \$231,677 from the funding sale is in the budget this year and will fall to surplus. By the 2018 spike there could be another \$2 million for debt service put into the reserve account.

WWTP Construction - should be completed on schedule; following that, in 6 months the interest payment is due; and in another 6 months the principle payment is due. Mr. Schrumm questioned the possibility of interest payment in one fiscal year and principle payment in the next fiscal year. If the project came in under budget and there was room, the interest could be financed over the term of the 20 year, 2% loan.

Page 41 Operating Budget Summary - illustrates debt service budgeted at \$7.732 million, and the projection is \$7,500,870. Because the budget is so tight it is assumed the \$231,677 will be used to reduce the debt service. If the surplus continues to grow, the money could be redirected into the reserve account.

Pages 8 Revenues - Categories of Revenue Increases are Current Tax Levy \$4.036 million, PILOT Mashantucket Pequot/Mohegan Grant \$259,000, and PILOT State of Connecticut \$118,349.

Page 16 - illustrates distribution of the \$4.036 tax levy. The mill rate accounts for \$3,167,051; Grand List Growth \$869,656; and Other revenue sources (\$137,393).

Page 101 - Revenue Budget Report FY 2015-16 - the property tax collection rate being used is 99%; last year collection was 99.8%.

Page 172 Graph - Tax Collection Rate/Current Levy Actual vs. Budget. The graph shows collection rate vs. budget over 10 years. With the high collection rate there has been generation of \$445,000 up to \$876,000 in additional revenue.

In the tax levy information, Mr. Jaskot explained value of a mill, how much is taken out for elderly tax credit and freeze program, \$575,000, and \$45,000 for volunteer firefighters' tax abatement.

Pages 102 and 103 PILOTS - there is no change in the numbers coming from the Mashantucket Pequot Grant and State PILOT. The State Legislature is looking at readjustment of the PILOT programs. Defense Zone PILOT reimbursement stated in FY 14-15 with money appropriated for EDAC Technologies. The incentive provides for 80% tax abatement on real and personal property for 5 years with the Town and State each responsible for 40%.

Page 105 - Town Departments. Town Clerk \$525,000 conservative number; W.S. Development estimated revenue was projected at \$410,000 last year, and this fiscal year the amount is calculated at 60% and then 40%.

The Council was informed by Mr. Milone on his extensive conversation with Lou Masiello from W.S. Development. Mr. Masiello is confident the company will come in with permits this summer, and suggested the Town not assume revenue by June 30th. This is why the \$207,000 refunding savings is in the surplus. For phase #1 the Town will use 60% initially and then 40% later in the year.

Page 107 Grants - The Town Grants total is \$68,000 from DUI Grants through CPD, Youth Services Grants, Judicial Funds etc. For the January 27th storm an estimate was given to the State to determine if the Town will get some funds, but this is not built into the budget.

Miscellaneous Town - Investment Income \$152,000; Sewer Assessments \$100,000 with few sewer hookups left, and people are paying in full; this line item includes cell tower and property rentals, \$30,000 CIRMA rebate, and cancelled encumbrances. The energy rebate shows up in the PW Utilities.

Mr. Milone advised that the \$865,000 performance contracting initiative is not in the proposed budget; the money can be used for energy projects, or as the Council sees fit in the budget. It is hoped the Town will go forward with the street light conversion, with savings assumptions in the PW budget for half a year, without a rebate built in. The street light rebate could be \$80,000 to \$100,000.

CPD Special Duty Revenue is projected to be \$90,000.
WPCD Administrative Debt Reimbursement is budgeted at \$650,000 to the General Fund for debt service and administrative services.
Fund Equity - Council used \$100,000 in tax relief in the past, and "0" budgeted this year.

Page 109 - Education Grants are fairly consistent with last year. Building and Substitute Grants significantly decreased with \$199,000 budgeted for FY 2015-16.

Special Education - \$750,000, which is down from \$900,000 last year.
Mr. Masciana stated this revenue is capped by the State.

Page 111 - Education Tuition is for out of district student placement, \$103,000; Rentals and Miscellaneous, Birth to Three program numbers do not change and remain constant.

General Fund Equity - decrease to \$650,000. Mr. Milone decreased this from \$700,000; there is no property tax relief used this year. The rationale was explained by Mr. Milone. Two things impacted the decision; surplus was lower than hoped for, and using less fund balance would make it easier to reach the number in the next year. He was anticipating \$250,000 from the bond refunding; the fund equity was reduced by \$50,000 in anticipation of an additional \$250,000 from refunding. The budget was put together; numbers were solidified; and no changes were made in the numbers due to the complexity of reopening the information once the numbers are locked in. Mr. Milone has used \$700,000 consistently and used it again; he expects surplus to grow more; there is no freeze on anything in Town Hall at this point in time. If necessary, there could be squeezing on the expenditure side.

With the Birth to Three Program \$300,000, Mr. Masciana stated the number covers the whole program; there is State reimbursement; and all costs are covered. There is certified staff and I.A's working in this program.

Page 114 - Summary of Year End Results. FY 2015 projected surplus of \$423,815; Fund Balance June 30, 2015 of \$9,806,751; \$650,000 appropriation to FY 2015-16 budget; Unassigned Fund Balance of \$9,156,751, 8.87% of GF Expenditures.

Page 3 - Expenditures: Leases \$129,940, 60.7%; There is money in the Public Property Account, \$147,000, to pay for the first lease payment on the performance contracting projects. There is almost a dollar for dollar in the energy account savings.

Medical/Life Insurance - \$93,285. Town and BOE went out to bid for medical benefit coverage; some good rates received and it is hoped to get them lower, make changes to the program.

Equipment Maintenance - \$48,000 is for the I.T. maintenance agreements payments.

Pages 10, 11 and 12 - Capital Projects. GFO mentioned tying together all the capital projects with the operating budget, and this was started last year and expanded this year. There is another \$60 million being managed and leveraged through the operating budget. Most of the projects are in various stages of completion. The Town is a \$200 million operation when you factor in the capital projects, gifts, grants and other things involved. Key operational projects are listed which are supported through the operating budget.

Mr. Milone noted there are changes to the budget document; graphs have explanatory text; transmittal letter changes were made per GFOA; there is a lead in paragraph to tie the capital budget with the operating budget; some things were moved around to places of greater importance. He cited page 15 as an example with the Biennial Summary. Coming off the bond sale there was information extracted from the official statement.

State Grants in FY 2016 are based on the Governor's preliminary budget. Mr. Jaskot said there will not be information on the State budget until after the Town budget is adopted.

According to Mr. Milone there is usually a good idea late in the process about the Governor's budget, and there will be revamping of the PILOT programs, which is a concern.

Prison population is decreasing state wide. Mr. Schrumm commented on calls to close a state prison, rather than closing one building at a prison facility which is not beneficial to the facility.

Mr. Milone is unaware of anything about closing the prison in Cheshire, and said closing a single prison site does have benefits because the State can sell the site. With the water and flow issues, the Town is seeing a revenue decline of \$180,000 from the prison.

Mr. Schrumm suggested changing the name of the Medical Benefits Trust Fund to reflect the cost of providing medical benefits to employees.

4. ADJOURNMENT

MOTION by Mr. Ruocco; seconded by Mr. Talbot.

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

VOTE The motion passed unanimously by those present.

Attest:

Special Town Council and Budget Comm. Joint meeting
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Marilyn W. Milton, Clerk