

MINUTES OF THE JOINT CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON TUESDAY, MARCH 17, 2015, AT 6:30 P.M. IN ROOM 207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Tim Slocum, Chairman, Town Council; David Schrumm, Budget Committee Chairman.
Council Members: Patti Flynn-Harris, Robert Oris Jr., Thomas Ruocco, Peter Talbot.

Absent: Liz Linehan and James Sima

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director; George Noewatne, PW Director; Walter Gancarz, Town Engineer. Guest: Tim Pelton, Chairman, WPCA.

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

Public Works: Water Pollution Control Department, Public Works Department, Public Property.

Water Pollution Control Department, Pages 125 and 116; George Noewatne, PW Director and Walter Gancarz, Town Engineer.

Mr. Milone explained that the WPCD budget decreases by \$27,000, and like the pool budget it is difficult to track, due to many variations of changes. There was agreement on dealing with some of the challenges if some items are under budgeted. Mr. Gancarz was concerned about some areas of the budget.

User Charge - Mr. Milone explained that he was concerned about the \$5 increase due to an \$82,000 revenue drop in revenue expected from CCI. The WPCD budget was significantly higher; and with the help of Mr. Gancarz there was a good compromise. In first looking at the budget the user fee would have increased by \$12. There could be a good year from CCI with greater amount of inflow and infiltration, with \$80,000 to \$120,000 more than predicted.

Page 125 Salaries increase by \$32,000. The current electrician position is 30 hours a week; with the plant upgrade there is a request for 10 more hours per week for the electrician at a cost of \$8,400. Mr. Milone pointed out the electrician will consume the extra 10 hours with overtime as he responds to every call out at the plant due to electrical issues. Overtime is budgeted at \$5,000; for every call two men go out to respond. It is hoped the upgraded plant will reduce callouts and overtime costs.

27th payroll - \$54,000.

There is a significant decrease in the contractual account; bio-solids transported to Waterbury; with proper operation of the new digester a significant amount of this cost will be reduced; if not money can be taken from fund balance or made up somewhere else.

Decrease in Fuel savings, \$21,000; Medical Benefits \$17,000, Program Materials (methanol & chemicals) \$25,000. Increase in electricity, fuel oil; pension costs increase by \$27,500. Electrician at 30 hours per week incurred about \$2,300 in overtime, paid at straight time; the position hourly rate is \$30.85.

Page 118 Revenue Budget Report WPCD - Mr. Jaskot reported that the sewer user fee was \$290 ten years ago; is currently \$380; and is scheduled to increase to \$385...a \$5 increase.

The Restricted Fund Balance is decreasing. 2015 fund balance was projected to be \$652,000; did not materialize because CCI's usage (I&I) was \$79,000 less than expected; when the audit started, the fund balance was \$16,000 less than anticipated when last year's budget was done. The assumption is a \$5 increase in sewer user charge, and the Council makes the decision on the amount of the fee. Every \$5 increase generates revenue \$42,549. WPCA will have to approve this rate at its October or November meeting.

WWTP Rate Analysis - provides detailed projections, # of residential, commercial users and CCI use. A \$10 increase brings the user charge to \$390 with details shown in the handout. Nitrogen credit program disappointing, with revenue projected at \$12,500 for FY 2016.

CCI - \$744,629 revenue projected; last year revenue was \$823,581; decrease of \$79,000. Mr. Schrumm stated the \$79,000 swing could be written off due to I&I; with a wet season it could be \$40,000 more; this would offset an additional \$5 increase in the user fee. With lower flow there is a reduction in expenses and costs to the town.

Mr. Slocum asked about lower costs for septic waste dump permits.

This is budgeted consistently at \$40,000 and Mr. Jaskot said it was once \$35,000.

When a septic tank is pumped in Cheshire it does not, necessarily, have to be dumped in Cheshire...and this accounts for the lower permit fees. WPCA Chairman Pelton commented on the septic pump problems in Cheshire and noted that Cheshire's rate is similar to area towns.

Fund Balance - Mr. Milone explained this is set up as a stand alone fund; is a special revenue fund/enterprise fund; it was never established with a maintenance account; sewer fee was high enough to cover expenses; a significant reserve did not build up. 12-15 years ago it was recognized that there was a drain on the operating budget with payment of all the debt services for WPCD, with upcoming additional capital expenses.

It was decided to pump up the fund balance so the treatment plan could take on more of the capital needs. The fund was pumped up; a reserve was established; equipment purchases were made, nitrogen removal project funded, and offset of costs of capital projects such as pump stations. This has taken the pressure off the operating budget; the operating budget still subsidizes WPCF but less than in the past. The Town side does all the administrative work and services for WWTP, an indirect cost of about \$106,000 goes back to the general fund. WPCD pays debt service of about \$589,000. It is hoped the user fee would not get too high; 50% of the population use the WWTP services; and it is agreed that the rest of the population subsidizes the cost for a facility that is for the greater good of the community. This is an issue with the State. Without the State participation in the cost of the upgrade there is \$5 million subsidized by the community, and the State is not paying its fair share. With the debt service reserve and healthy fund balance it is hoped we can continue without further burden on users and taxpayers.

WPCD pays debt service out of their budget; the general fund pays some of the debt; and projections 5 years out will be done and submitted to the Council.

Page 91 - illustrates the account funds appropriated to meet annual principal and interest payments on long term borrowings.

Total Debt Service \$7,250,563; \$756,754 is sewer bonds; \$404,394 is the 2% loan from the nitrogen upgrade; repayment to the Town is \$589,184, plus \$550,000 transferred from WPCD to the General Fund, and \$100,000 to offset administrative costs.

The \$20 million for the old treatment plant project was paid off years ago.

If there is a \$2 million payment from the State the question is whether to rebate homeowners for the user fees.

Mr. Gancarz reported the plant upgrade project is 75% completed; should be done by October 2015; pcb's were found in the caulking and paint and remediated at a cost of \$700,000; this took 755 of the contingency within the first few months of the project; non-essential items were taken out of the project. Supt. Dievert and staff stayed within the permit limits, with one exception due to an outage on a Sunday. When things came back on line there was a biological upset to the plant, which Supt. Dievert figured out and got the plant back in operation.

There is still pursuit of additional funding for phosphorous at the State level; 30% funded now with bill in process to increase to 50%; and this would be about \$1.5 million more to the Town. Cheshire continues to pursue the CCI claim for back billing and State portion of the construction funding, which is another \$3.2 million revenue.

The new emergency generator at the plant is double the size of the current generator. Nitrogen credits are decreasing due to an open market and no State subsidy.

The department budget is \$27,000 less than last fiscal year, with many numbers as best guesses on what is known now. Mr. Gancarz explained that what is needed for

chemicals, fuel, electricity changes year to year. The biggest item is the sludge disposal, the solids removed from the waste water, and sent off site for disposal. The two big tanks are the digesters which take the sludge, reduce the amount of material to be shipped off site, are being retrofitted, so sludge disposal will be less when the digesters are back on line. The new tanks are very large; takes a month to fill up with solids; once they are functioning there will be 25% reduction in the amount of sludge to be digested and removed. When the new phosphorous removal portion of the plant comes on line there is additional sludge from that.

Page 130/5409 - \$240,000 expenditures; 2016 - \$188,000 budgeted; Electricity 5302, \$416,000 budgeted, same as last year. New equipment is coming on line, UV disinfection; new administrative building with higher electrical usage; retrofit of equipment and aeration blowers being revised with more efficient equipment, etc. expected to use less electricity and decrease costs.

5204 - Chemical Usage, \$175,000. UV Disinfectant starts May 1st through September 30th; more electric consumption; Phosphorous removal on line 4/1/16 with chemicals; process to be tested before contractor leaves the site, with some costs for this service.

A critical concern of Supt. Dievert was passed along to the Council -- the increase of the Electrician's hours to 40 per week. The reasons for the request were cited by Mr. Gancarz. One is additional electrical equipment at the plant to be serviced by the electrician; new emergency generator at 1250 kw; controls are going to solid state which can be troublesome if they break down; having on-site staff is great; the electrician has worked on every pump station project; and he has more than paid for his requested additional hours. Cook Hill Pump Station work with Eim Park grant money, the electrician installed a new pump control panel, which would have cost \$15,000 to sub to an outside electrician. East Johnson Station the electrician installed a variable frequency drive, with \$5,000 savings; he has rewired and disconnected the pumps at the Influent Pump Station while they were being serviced, saving a few thousand dollars. Mr. Gancarz stated that the and Supt. Dievert feel that for the small increase in cost to have the electrician full time, will more than pay for itself. The person in the job is already 30 hours a week and is covered by full benefits, with \$2,300 overtime last year.

Capital Budget - Mr. Gancarz cited one item, \$100,000 for a grinder at the Elmwood Pump Station, to break down solids to avoid clogging pipes. Two pump stations need to be upgraded; they are already designed; Cook Hill Pump Station \$600,000; West Johnson Pump Station \$3 million. If the State has a program, first come first served, there is participation with a 20% grant towards pump station upgrades; and it is expected this program will be in place again this year. It would be a \$600,000 grant, and Mr. Gancarz strongly recommended the Town consider this grant application. The funding must be in place before official application for the grant.

Salaries - full time salaries have an increase; part time salaries are decreased; request for increase of Electrician's hours to 40 per week, and current 30 hours comes off the

part time number; this is a union position without possibility of changing the hours in the future.

WPCA Chairman Pelton commented on the Electrician supporting the new equipment coming on line, getting up to speed, the learning curve to grasp, and he supports the request for the additional work hours.

There was a brief discussion amongst the Council regarding increase in the hours for the Electrician, with the thinking to wait and determine whether or not the additional hours are needed. It was stated that once union jobs have hours, they are not given back.

At the end of the budget process, Mr. Milone will have a report on the positions requesting extra work hours, and associated fringe benefits.

Regarding operating savings as a result of the new facility, Mr. Gancarz said there is an entire new process, phosphorous removal with increased costs, less cost for other things, and engineering efficiency equipment is being rehabilitated.

Page 131 - \$198,000 medical/life insurance decreased due to good rates; pensions went from \$72,800 to \$100,000. Mr. Jaskot said WPCD is part of the Town Pension Fund; contributions are increasing to \$300,000 annually; there was a bit of shift between BOE, WPCD, Pool and everyone else; WPCD portion for pension liability per the last valuation was a little higher, as was BOE, and the Town's was less; the rate of return assumption is 7.25%; medical contributions have increased.

Sewer Use Fee - Mr. Pelton stated that WPCA is running a business, charging people and providing a service, without a public outcry, so a good job is being done. The Town received the water consumption rate information from RWA, for a high fee, and the data has been analyzed and compared to the \$380 fixed fee. 19% of the user population would have a lower fee to \$300; 75% would remain the same, \$300 to \$400; 5% would have a \$400 to \$500 fee; and 1% would have their fee doubled or tripled.

WPCA holds public hearings on the sewer user fee, and there is zero public attendance. There are people on wells who use the sewer system; they would have to purchase a meter to measure inbound water before it is processed and sent out; others have large gardens, pools, automatic sprinkler system, and they need a subtraction meter to calculate water in and that did not enter the sewer system...and a bill is calculated. There would be lots of manipulation in the tax office for all the nuances align. The consumption rate process would be difficult from an administrative standpoint. WPCA recognizes the current system calculation is the most cost effective model, may not be equitable, but continues to support the current sewer use fee structure. WPCA does not support an increase of \$5 in the sewer use fee. Should the DOC reimbursement payments come in, a good portion could be used to reduce the fee for users.

Mr. Pelton commented on the court of public opinion -- people whose fees might go up will say..."they spent \$32 million on the plant and now they are still doing me in on my sewer use fee".

Regarding flow meters, Mr. Pelton noted the Town paid to get the RWA data to do the analysis. To then go to a homeowner about a new plan, purchase two meters, put them on your system, and have a plumber come in...spend \$500 to do this. WPCA considers this the wrong way to go.

According to Mr. Gancarz he is unaware of any town looking at incoming and outgoing water, for a few reasons. Trying to operate 5,000 flow meters would require more than one electrician's increase in hours...it would require a bank of them to handle meters and resolve problems. Surrounding towns have a fee system based on raw water supply. CCI has meters and there are problems with their accuracy. The plant flow is at 65% capacity so there is no need to expand the plant.

For the analysis, Mr. Pelton explained that through an algorithm commercial users were converted to residential users; commercial users pay based on water usage. All the variables are unknown. PW administrative staff does not advocate for the change to water consumption. Mr. Pelton stated there is too much sump pump water going through the system.

Mr. Milone explained that the Town had requested the water consumption information from RWA for about 5 years. RWA came up with a new accounting system, provided municipalities with good data, and the Town did a study on the water consumption data. The cost to the Town to undertake the process of billing based on water consumption data would be very high...and would become the water authority...or pay a significant administrative fee for the process.

Mr. Pelton, Mr. Gancarz and Mr. Noewatne do not support the system of water consumption as the basis for the sewer use fee.

It was recommended by Ms. Flynn-Harris that the public be informed of the water consumption data, and all that is involved to bill sewer use charges based on water consumption. The Council concurred that this should be done.

WPCA Tour - Mr. Pelton invited Council members to tour the plant as soon as the weather permits, and he noted the last tour was successful.

PUBLIC WORKS DEPARTMENT, Director George Noewatne, Town Engineer Walter Gancarz. Pages 113 and 78.

Mr. Milone stated the PW department budget decreases by about \$50,000; in 2012 PW actual expenditures were \$5.532 million, and this year the budget is \$90,000 less than 2012.

Personnel - \$30,000 is for a Mechanics position; \$15,000 is for the 27th Payroll.

Non-Salary - Highway, Sidewalk and Drainage Division decreased by \$156,000; \$140,000 is estimate of savings due to acquisition of street lights, and no rental of the street sweeper, which is hoped to be approved in the capital budget.

Solid Waste - \$44,000 savings from tip fee reduction.

Mr. Noewatne commented on PW Department having fully staffed office and crew and a good team in place.

Page 78 - Accomplishments. Mr. Noewatne reviewed some of the FY 2014-15 accomplishments...road work, maintaining Town roads to high standard during snowstorms, insuring safety, upgrades at Mixville Park/Dam/Pond, dredging Mixville Pond, LOCIP grant to repave 4500 l.ft. of Mountain Road, GIS System used as excellent tool, bulky waste trash collection, removal of 75 trees, work with CL&P on tree trimming project, established town wide weather station, replacement of deteriorated sidewalks, supervised construction of the \$32 million WWTP upgrade.

Page 79 - Performance Measures were reviewed by Mr. Noewatne. 700 public generated work orders; 92% of paving test (compaction) completed; removal of hazardous trees; servicing 180 town vehicles annually.

Page 115 - No change in administrative staff; splitting of PW Director and Town Engineer positions was a tremendous asset to the department; Mr. Noewatne has the public works experience and Mr. Gancarz has the engineering experience, each bringing their expertise and qualities to the table.

Page 117 - The 2015-16 Objectives were reviewed by Mr. Noewatne and Mr. Gancarz. Staff talked with developers and utilities about paving plans/capital projects, and things worked out well.

Street Excavation - there is an Engineering Technician on site, witnessing testing, and the end result is much better.

GIS System - this is a tremendous asset; the system assisted in the plans for the dam work at Mixville, Maple Avenue traffic crosswalks, plans for Mountain Road which must be submitted to DOT for approval. All the work was done in-house without hiring firms to assist with the surveying etc. The sidewalk assessment will be plotted on the GIS.

Mr. Gancarz also commented on the great staff in place, the tools to get the department work done, generation of savings for the Town without having to outsource work.

Page 120 - Highways, Sidewalks, Drainage - #5203, +\$7,000 from last year; the Town has a large fleet and it takes money to operate this active fleet. Mechanics are thorough in their inspections.

#5204 - Program Materials - +\$5,000 for gravel, stone and other materials. The repairs to roads from the winter weather will come out of this line item.

#5208 - Gas and Diesel - this account is slightly reduced.

#5402 - Construction. This line item works in consort with the \$1.175million for road paving, curbing, catch basins. Snow and Ice removal budget will be over this year. In 2014 spent \$116,051 for snow removal; account frozen to balance the budget.

#5403 - A/E Maintenance - \$45,000 budgeted.

#5409 - Other. Street Sweeping is a "0" cost this year; was about \$30,000 last year. Water Main services \$610,000, no increase this year; last year 8% increase from RWA. Hydrants Repair and Maintenance /Street lights/ Traffic lights/new street lights; street light acquisition will be an adjustment of (\$140,000).

Mr. Gancarz reported that proposals were received for the street light acquisition; interviews will be held with 4 companies; about \$220,000 annual savings; if the project is done earlier in the year there could be a \$110,000 adjustment. The Town is eligible for the rebate with conversion to LED lights, and this could be a \$150,000 bonus.

For one half a year with acquisition of street lights, January, 2016, Mr. Milone said the savings would be about \$70,000.

The assumption is a purchase cost is \$442,000 for the street lights, and Mr. Schrumm commented on financing the project for 5 or 10 years.

Capital Projects - \$1.9 million for road paving in the next year; pavement management system overall rating for the roads went from an average of 74 to 81 or 82.

Mr. Noewatne distributed a plan on the 2015 Road Maintenance and Paving, which showed proposed road repavement (mill and overlay). There is \$1.89 million in the capital account for road repavement.

A map of the Town roads was reviewed by the Council; roads within gray circles are the ones to be done; the rate is based on rating of 100; Commerce Court has a rating of 49; Mountain Road is 86; and the new system takes into account the use of the road. There is a State grant of \$5,000 for the Mountain Road work. Peck/Jarvis estimated cost of drainage and reconstruction is \$120,000. Total road project is \$1.669 million for 7.62 miles of road. Chip Sealing 2.83 miles of road is \$44,000; cost of crack sealing is yet to be determined. Chip sealing is 11 cents per sq. ft.; and mill and paving is \$1.71 per sq. ft. Peck Lane will be fully reconstructed.

Sidewalks - A sidewalk plan will be given to the Council with a request for funding to start wholesale replacement rather than just patching. A concrete sidewalk is replaced with a concrete sidewalk; patching with asphalt at driveways does not look good.

Street Sweeping/Leaf Clean-up - there will be rental of equipment for PW crews to do the work. Mr. Noewatne recommends the Town purchase a street sweeper in light of all the sweeping done before a new road is installed. In 5 years this sweeper would pay for itself. The cost to rent a sweeper is \$35,000 for spring cleaning. This piece of equipment (sweeper) can be used on other types of work in the department.

Page 122 - Snow and Ice Control. This winter 71 1/4 inches of snow fell; the crews put 60,000 miles on the vehicles with plowing; there was over 3,000 overtime hours; the salt (with calcium and magnesium chloride) does damage to the roads and vehicles.

#5204 - Salt cost is \$65,000; treated salt is \$85 ton; regular salt is \$25 ton. PW Department is trying to manufacture its own salt brine for quality system.

#5208 - Gas and Diesel. There is a reduction in this line item; CPD and CFD have their own gas pumps; treatment plant is diesel; PW garage has gas and diesel and use key code for tracking gas pumping and usage.

New Snow Plan - Mr. Noewatne explained the new snow plan which was used this winter. Plow routes were reduced to 14; there was better clean-up; trucks do routes multiple times; the big trucks are on the roads 2 hours before the smaller pickup trucks. PW and Parks and Rec Departments work in conjunction for clearing of roads, sidewalks, parking lots, and following a storm they hold an action meeting.

#5204 Trees - \$300,000 budgeted. There are fewer trees due to CL&P tree trimming program.

#5409 - \$5,000 for tree trimming; Ashbore insect still active and invading Ash Trees; it is expected all Ash Trees will have to be removed over the next few years.

Page 124 - Solid Waste - #5409 Leaf Program, \$17,500 for truck rental; Tipping fee \$455,000; fee is reduced to \$65 a ton for a \$44,000 savings; Solid Waste Collection and Recycling Collection - \$955,000.

#5102 - Personnel Services. The PW Department has 4 mechanics and one (1) more is requested in this budget. Currently the distribution of Mechanics work is: 1 Mechanic for CPD; 1 Mechanic is Welder/Fabricator (saves his yearly salary with fabrication of things); 1.5 Mechanic works on PW vehicles; a new Mechanic will take on more vehicles (i.e. BOE 10 buses); an analysis on the new Mechanic will be provided to the Council.

The reasoning behind the request for another Mechanic was cited by Mr. Gancarz. He explained the Fleet Manager has less time to do mechanical work, and another mechanic would service the new equipment.

Mr. Noewatne explained that CFD and CPD have new vehicles; BOE has tractors/trailers, 10 small buses; Parks and Rec has many vehicles; all are serviced at the PW Garage.

PUBLIC PROPERTY, Pages 39 and 76

Fire Headquarters, ADA Compliance, \$40,000 cost. Town crews will be painting the exterior of Town Hall this spring; will paint the Town Seal on the triangle of the building.

Page 77 - new windows and siding at the Senior Center; painting CFD Annex; new siding and windows at 12 Town owned houses; installation of new gas main to serve PW Garage and Artsplace; Supervision of energy performance contracting for Town buildings.

Performance Measures - 202,000 sq. ft. of building maintenance; 750 work orders from the public were received and addressed; utility costs savings \$124,000.

#5405 - Performance Contracting Lease \$137,371; about 75% of the project is completed at this point; lease is not paid until the project is 100% complete.

#5404 - Building Property - \$360,000; pays for most of the maintenance and repairs and improvements, \$146,500. Next year the steps on Town Hall will be repaired.

Public Works Department has a \$10 million operating budget; oversees \$60 million in projects; Town roads are in great condition following winter snow storms; there is a new team in place in the PW Department.

4. ADJOURNMENT

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

MOVED to adjourn the meeting at 9:45 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk