

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON MONDAY, MARCH 13, 2017, AT 7:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Budget Committee Chairman Timothy Slocum. Sylvia Nichols.

Council Members: Chairman Robert J. Oris, Jr.; Vice Chairman Paul A. Bowman; Patti Flynn-Harris, Liz Linehan, Thomas Ruocco, Peter Talbot.

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director; George Noewatne, PW Director; Jeff Solan, Supt. Of Schools; Vincent Masciana, COO, 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 F.Y. 2017-2018 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, CNR

Town Manager Milone reviewed the proposed FY 2018 General Operating Budget, noting that the starting place is lower than in the past.

Page 1

Total FY 2018	\$110,392,735	+\$2,591,507	2.40% increase
General Government -	\$ 31,070,115	+\$ 718,140	2.37% increase
Education -	\$ 70,831,288	+\$1,435,778	2.07% increase
Debt -	\$ 7,266,332	+\$ 437,589	6.41% increase
Capital Non-Recurring	\$ 1,100,000	-0-	0.00% increase
Contingency	\$ 125,000	-0-	0.00% increase

Mr. Milone commented on the fact that the State of Connecticut is presenting a financial burden on the municipalities. He cited the education revenue aid loss of \$1.023 million, general government aid loss of \$770,706, expenditure mandate of \$3.508 million for the teacher's retirement contribution, loss of \$166,546 due to imposed cap on motor vehicle taxes of 32.0 mills, and new expenditure of \$65,100 for mandated storm water regulation. The Town also lost \$330,000 in tax revenue with the departure of Alexion Pharmaceuticals. The debt service increase for the treatment plant upgrade is \$3.3 million for the first loan payment.

Mr. Milone pointed out that the \$3.508 contribution to the teacher's retirement is not included in the budget at this time.

During the current FY 2017 budget year, the State cut aid to Cheshire by \$766,593. The mid-year revenue loss necessitated expenditure reductions, curtailing of some services and programs, and eroded the surplus and fund balance which could have been achieved. Mr. Milone said there will still be a reasonable surplus after curtailing some services and programs.

Page 2, paragraph 5 - The teachers' retirement fund contribution from Cheshire is \$3,508,100, and is 174.05% of the average budget increase. In the last 5 years the average general fund increase averaged \$2,015,556 in each of the 5 years. The pension contribution represents a mill rate increase of 1.29 mills, a 4.14% mill rate increase. The Town's average mill rate increase has been .42 mills or 1.29%. One of the last 5 years was a revaluation year.

Page 1 - In each of the last 10 years debt service has gone down, some years as much as \$600,000, and this kept the mill rate lower. It allowed for money to be redirected to education and general government for discretionary services. Mr. Milone cited the debt service of 10 years ago - \$10,362,000. Even lowering this to a reasonable increase, debt service would decrease, not go up...creating an \$800,000 swing. Debt service will go up slightly in each of the next 5 years, and it takes away the ability to have a contingency.

Page 3 - Mill Rate Summary. The State statute caps the motor vehicle mill rate at 32.0 mills.

A mill rate of 32.72 mills is being proposed, an increase of 1.53 mills or 4.72%. The calculations show an average taxpayer with 32.72 mills having an increase of \$342 or 4.72%.

Mr. Milone reviewed the calculations that show an average percentage increase of 1.66% per year, and noted it should be 1.84% with the total divided by 9 years.

Going back to page #1, Mr. Milone said the budget starts out with lost revenue of \$2.5 million in State aid, \$3.3 million increase in WPCD debt service, plus the \$3,508,100 contribution to the teacher's pension fund. With lower mill rate increases over the past years, it has been demonstrated to taxpayers that Council and staff work to keep taxes lower while providing good services.

Regarding the motor vehicle mill rate cap, Mr. Milone stated the State did not come back to make this whole, and it is only if the town's mill rate exceeded 32 mills last year...those municipalities will get reimbursed. There is supposed to be a cumulative effect, and as this grows, the State will not have the resources to pay out. This is why it is expected the minimum will be bumped up. The problem is shifting the burden onto the real estate and personal property tax payer.

Mr. Milone advised the Governor is trying to exempt business personal property that is assessed at \$10,000 or less. This has not gotten any traction yet, and is not built into

the budget. The threat about the public health district situation is still alive, but may not be considered until the next fiscal year. The storm water regulation mandate is in place. Comparisons are on pages 44 and 45, department to department, increases etc.

Expenditures

General Government portion of the budget increases by \$718,140, or 2.37%.

Category of key areas of increase was reviewed by Mr. Milone. It totals \$698,576, representing over 97% of the increase for personnel services, contractual services, and pensions.

Contractual Services - primarily in Public Works; RWA raising rates by 7.5%, \$53,000 increase; Solid Waste increases by \$44,000 - \$33,000 in the A.J. Waste Contract, and \$11,000 for tip fee increase; Storm Water Mitigation Plan is \$65,100.

This totals \$163,000. PW Director Noewatne had to cut a number of accounts to offset the increase, resulting in a net increase of \$116,000.

Pensions - \$279,518.

Administration and Finance - medical and life insurance is down by \$193,000; trust fund money is being used; there has been good claims experience with claims staying flat next year; benefits will be seen from the plan design changes made when the contract was negotiated; savings have been generated by placing stop/loss insurance with CREC Captive; Town Medical Benefits Trust Fund balance is \$1.658 million, and combined with BOE Trust Fund there is about \$4.4 million.

Handouts - March 13, 2017. Mr. Milone referred to the handout, page 2.

Town Assessor Position - has not been filled, frozen until November 1, 2017; savings of \$29,000. Diane Waller, Deputy Assessor, has been doing a good job filling this position, keeping the department together and running well.

Electronic Media Coordinator - fill position January 1, 2018, cost of \$32,100.

Mr. Milone explained staff cannot keep up with all the work involved with social media, upgrade of web site software to be installed in October/November, expansion of the software utilization, and myriad of social media responsibilities now being handled by staff. Full time position would be salaried at \$64,000.

Ms. Talbot explained the position includes CH 14 management, Facebook, Website, Twitter, and all social media. By not having a person responsible for social media it is a disservice to residents.

Police Department - budget is up 3.35%; Police Officer to Sergeant +\$9,534; elimination of police officer position (\$72,434 savings); overtime reduction of \$50,000; #48 police officer position frozen. There is a minimum manning power for Sergeants...if a sergeant is out he must bring in a sergeant to work the shift. Therefore, the \$9,534 spent on the position upgrade saves \$50,000 in overtime. The freezing of a position (#48) should not create a grievance as the Town does not have the resources to pay for this position.

Fire Department - Increase in hours for temporary Fire Inspector - cost of \$6,000.
Mr. Milone explained that the fire inspections are important and beneficial; many code violations have been uncovered; and safety is a serious issue.

Public Works - Administration - Administration Reorganization +\$5,625;
H/S/D Reorganization +\$15,626.

Mr. Milone informed the Council that he is proposing consolidation of the Parks Division of the Parks and Recreation Department to the Public Works Department. Over the last few years there has been collaboration between the Public Works and Parks and Rec Department with snow removal and interior work during winter blitz. With retirement of the Parks Foreman, the position was eliminated (savings \$82,752). The Parks and Rec Department continues to work, one man down, or they are absorbed into Public Works with a few changes, and modification of the supervisory structure. Over time there will be economies of scale with hiring of summer staff, coordinating their efforts, working together and getting by with less, and overtime cost reductions. The two departments will have the resources of each other which could lead to less summer manpower.

Mr. Milone cited the importance of maintaining the unity and independence of the Parks Division. They would not be blended into the highway, sidewalk, drainage division. The condition and maintenance of the fields, along with user expectations, are of prime importance for people using these fields. This work must be done right, with the Parks Division unit staying in tact. As a result of these proposed changes, there must be reclassification of one Grounds Keeper to Crew Leader with a cost of \$5,753.

Detail Budget Book Pages 173 to 175 - Mr. Milone noted these pages represent all the expenditure elements. If the Council approves the assimilation/transfer, the entire function cited appears in Public Works as an additional division. The Parks and Rec budget decreases by an amount and Public Works increases by the same amount. The rest of the Parks and Rec budget remains the same.

If the transfer happens there will have to be additional compensation for the senior management and for people at the Maintainer level of management...i.e. Highway Superintendent or Assistant. One position is union, and the other three would be recognized for taking on more responsibilities (+\$15,626).

The Town Engineer hours would be reduced to 24 per week (3 - 8 hour days), savings of \$12,507.

Page 169 - Parks and Rec Director Bob Ceccolini will retire the end of May 2017. Mr. Milone assumed the position will be vacant for 3 months, and then filled at a lower pay grade (cut of \$35,245). Mr. Milone would like to take the Director and Deputy Director of Parks and Rec Department and consolidate into one position. About 25% of the work load is being transferred out of the department...Parks and Rec will be

exclusively a recreation program with one position for director. One of the assistants would be upgraded to Assistant Director. There would be significant savings in the medical benefits. The numbers indicate a savings of \$100,000 to \$120,000.

Mr. Oris asked about there not already being enough personnel for Parks and Rec with the Deputy Director, Program Coordinator, Assistant to the Director and Secretary. With maintenance being removed from the department, Mr. Oris said these four positions can take care of the required recreational requirements. He suggested getting rid of the Director position and not elevate Deputy Director.

It was explained by Mr. Milone that he will merge the Director and Deputy Director into one position...making the five positions into four with the merge. Mr. Milone recommended discussion of personnel changes in an executive session meeting.

Community Pool - this is a stand alone budget, and there was a brief discussion about pool staff being apart from the Parks and Rec Department. Mr. Milone said the Pool Coordinator and Community Pool are under the supervision of the Parks and Rec Director. This is the same as WPCD having a separate budget, with oversight by the PW Department. With the retirement of Mr. Ceccolini, it was noted by Mr. Milone that there are opportunities for consolidation.

Library - the position of Library Associate is frozen with savings of \$29,8786.
Senior Library Associate increase in hours 25 to 30 per week at cost of \$8,484.
Reclassification of Asst. Library Director to Deputy Library Director, cost of \$8,331.
Director Burkey recommends having a deputy in the library at all times when the facility is open.

Mr. Milone clarified that the positions frozen are vacant; the employees recently retired or resigned; the positions will not be filled; and there are savings with compensation and benefits.

Budget Book Page 8 EDUCATION - \$70,831,288 increase, 64.16% of the total budget; total increase of \$1,435,778, or 2.07%. There has been good claims experience with savings in medical benefits; BOE medical trust fund balance at \$2,616,000, which is \$1.4 million higher than this time last year. Mr. Milone has not recommended changes to the BOE budget.

Debt Service page 148 - Mr. Milone referred to page 148 Debt Summary Plan, which shows how debt expenditures are developed each year from the various categories of debt. 2018 total debt was \$10,299,274, an increase of \$3,470,531. The strategy was to use some of the debt service reserve over the course of five years to minimize the spike, and gradually transition the increase in so it would not go up dramatically, year to year.

Page 149 - Sale of the bonds saved \$1.7 million interest due to lower rates. Mr. Jaskot recalculated the interest; FY 18 has a savings of \$132,923; this reduces debt in 2018 to

\$10,166,351. Over the five years (2018-2022) the total savings is \$536,329. The amount of debt service was distributed five years over the increases. This was done by looking at the gross WPCD debt increased from the base...in the first year it increases by \$3.3 million, then \$1.5 million in the next year. Mr. Milone explained the calculations which resulted in distributing the money on hand, proportionately based on the amount of increase as a percentage of the total increase in each of the five years. Gross WPCD debt \$3.301 million; annual % of five year total is 35.08%, applied to the debt service reserve of \$7,126,640; proportionate dollar distribution is \$2,500,019; net debt is \$7,666,332; increase from prior year is \$837,589. The reserve funds will be distributed over 4 years rather than 5 years. Year #5 will have a larger spike, and money can be set aside for year #5.

Mr. Milone cited the 4 years - #1 is \$6,794 million; #2 is \$7,501 million; #3 is \$7,740 million; #4 is \$7,943 million. There is about a \$600,000 increase going from year #4 to #5; go back and take \$100,000 or \$50,000 in each of these years and smooth those out, picking up another \$300,000 to make the jump from year 4 to 5 a little less severe.

Page 9 spells out how debt service is spent.

WPCD will have a record fund balance of \$972,000, after taking \$200,000 from their budget to pay for some of the debt service. Mr. Milone stated that more money can be used from this fund balance.

Page 149 - shows other potential available resources being used - Energy Rebate \$200,000; WPCD Fund Balance, \$200,000, with money available to be redirected to the debt service account.

Revenues. Mr. Jaskot reviewed the revenues and comparisons.

Page 100 - Taxes FY 2013 - 78.4%; FY 2018 is 81.7%; the swing is due to loss of State aid during this time period.

Revenue Increases - Current Tax Levy increase is \$4,547,638.

Grand List Growth - \$427,705;

Mill Rate Increase - \$4,013,748;

Collection Rate Increase at 99.2% - \$85,784;

Local Tax Relief - \$20,000. Total \$4,567,638.

Less all other revenue sources the total increase in revenue is \$2,591,507.

Collection rate for FY 2018 is estimated at 99.7%.

Pages 106-107. There are two mill rates this year...32.72% for personal property and real estate; Motor Vehicle is capped at 32 mills. New line item 10-4105, Current Levy Motor Vehicle. In looking at current levy, 10-4101 and 10-4105 accounts must be added together, giving the variances. With the motor vehicle mill rate cap there is a loss of \$166,000 revenue. Supplemental motor vehicle tax 10-4104 is also capped at 32 mills. With this cap there is also another \$22,000 loss in supplemental tax.

Mr. Milone explained the supplemental motor vehicle tax, which is on cars acquired after October 1st grand list date. The cars are picked up at different times of the year; it is a hard number to gauge; and Cheshire had a large number of additions to the supplemental tax, about \$200,000 more than budgeted.

Page 109 - PILOTS. State of Connecticut reduction of \$299,690.

Mr. Milone informed the Council that the Manson Facility will be reopened and occupied by inmates, so it becomes a prison again. This changes the PILOT reimbursement, which has gone from 100% reimbursement to 45%.

Page 111 - Town Departments. There is a \$85,415 reduction, a 5.20% decrease. Town Clerk revenue fluctuates due to volume of activity; conveyance fees have decreased.

Parks and Recreation - theater program has been cut way back; will be transferred to Fine Arts Department for a modified program; the Parks and Rec budget reduction of \$48,900 is due to lack of participation in the theater program, and the upswing of theater programs at the middle school and high school.

Police Department - \$26,000 revenue due to rental of police cars.

Library - revenue loss of \$17,500; this is due to the fine free weeks in order to get back overdue books to the Library.

Page 113 - Town Grants. The Revenue Sharing Bonded Dist. shows a loss of \$736,700 due to cuts by the Governor. MRSA is eliminated because Governor could not afford to do both programs; MRSA is tied to the cap on the mill rate; there was no reimbursement to Cheshire for the tax loss on the 32 mill rate cap.

LOCIP variance is +\$330,733, which has been the offset to some of the bonded projects. State statute has this money being used for capital improvements, and money will be used for capital items and for the general fund.

Miscellaneous Town - Investment Income up \$30,000; Sewer Assessments down \$50,000 due to fewer sewer system installations; Alexion tax refund was a one-time payment last year, and shows a loss of \$330,400 for FY 2018.

Page 115 Education Grants - grant revenue is down \$1.023 million.

New special education grant line #10-4603 was in the Governors budget at \$3,399,099 and is offset by the reduction in the ECS program. Special education cost sharing was pulled out and put into a separate grant; there is elimination of the special ed excess cost with loss of \$750,000. Special education costs, over and above the average pupil expenditure, will no longer be covered.

Supt. Solan explained the State did not separate out special education costs in ECS funding. The federal government has a minimum budget requirement around special education. Connecticut must now separate out to meet the MBR for special education or money will be cut. The State also cut the excess special education costs on top of this, and it is significant for Cheshire. There is some sort of insurance piece

for a unique situation in the year where costs were in excess of typical student costs to recoup some of the revenue that is now gone.

Transportation - is also cut from \$168,987 to \$14,300 (for magnet school program), and this is an interim cut this year as well.

Page 117 Education - Tuition, Miscellaneous and Birth to Three Services.

This budget is being monitored for tuition revenues as they fluctuate year over year. General Fund Equity - \$700,000 is typically used from surplus in the FY 2018 budget; there is an additional \$200,000 to defray increase in the WWTP debt. Mr. Milone said this was always part of the plan.

Page 14 - Mr. Milone reviewed various financial safety nets to be used to mitigate expenses.

Fund Balance is at \$9.791 million, 9.8% of the operating budget; this is 1.25% over the 8% minimum to be maintained. The money must be used prudently to reduce expenses or the mill rate.

Debt Service Reserve - opportunity to use in different ways to minimize impact this year, but still preserve the importance of gradually increasing debt service over the next four years. Mr. Milone wants to take a long and hard look at this.

Medical Benefit Trust Funds - Town side has used only \$150,000 from the fund.

BOE - has not used trust fund monies in its budget; the line item has been decreased a bit due to changes made in the medical plans.

WTPD - Fund Equity of \$972,000 after utilizing \$200,000 to support 2018 debt service increase. Sewer user fee increased by \$5 this year. General Fund pays for the larger share of the debt service associated with the treatment plant upgrade.

Energy Rebate - \$200,000 utilized to support debt service increase.

Lawsuit against the DOC for \$2.7 million is potential revenue; case is awaiting a verdict.

Capital Non-Recurring Fund - money from the CNR can be used to offset potential for the \$3.5 million burden for the teachers' retirement contribution.

Mr. Milone stated that some projects can go forward using the \$1.1 million from CNR...or some projects can be deferred or be bonded. We are looking at unusual times which will require some rather unorthodox decisions.

Regarding the \$3.5 million teacher pension contribution, Mr. Milone explained that, by statute, there is authority to impose a supplemental tax assessment. He noted that this number for the pension fund will not remain the same, as it will grow each year as the State liability grows. When that happens there is loss of total local fiscal control and financial destiny of the community is taken away by the State of Connecticut. Mr.

Milone stated this is the most horrible action the State could have done...without even thinking of phasing it in, which is another demonstration of arrogance by the State.

Council Chairman Oris commented on the fact that none of the foregoing information takes into account the capital improvements for the Department of Education (DOC).

Mr. Milone has a laundry lists of things to be done with departments. With some of the new contracts there is allowance for two retirement incentives for positions averaging \$60,000 annually. He expects people will take advantage of the incentives. Mr. Milone noted that winning the lawsuit will help somewhat with the budget.

Page 18 - Biennial Budget Projections.

Page 19 - Multi-Year Budget Comparisons.

Page 24 - Budget Meeting Schedule; the schedule is also on the web site.

Pages 44 and 45 - Summary of department expenses.

Page 46 - Summary of major objectives of expenditures.

Page 122 - WPCD budget.

Page 126 - Library budget.

Graphs in the books are very important (i.e. page 178).

Handout, Page 1 - Tax Payment - Average Taxpayer information.

Handout, Page 3 - Budgetary Trends 1991 to 2018.

Handout, Page 4 - Proportionate Budget Revisions Town and DOE on the Town Manager's recommended budget.

Chairman Oris talked about the Grand List growth. Based on the current mill rate, a \$10 million grand list growth is needed to equate to additional revenue of \$327,000 a year. The Town needs \$100 million of additional grand list growth in order to deal with the \$3.5 million mandate from the State for the teachers' pension fund contribution.

Mr. Slocum commented on the Community Pool from a budget perspective, and asked about it being folded into the Parks and Rec budget. This something the Council should think about.

Mr. Milone said there is no reason this cannot be done. The pool would be rolled into the Parks and Rec budget, without a line item for subsidy. He noted the pool natural gas costs at the height was \$270,000 annually, and next year it will be \$70,000. The

pool is about \$90,000 less in total costs than 8 years ago. It is going in the right direction, but will always need a subsidy.

With regard to changing the format of department budget presentations, Mr. Slocum said a few departments are being looked at with a laser due to reorganization. Other than those departments, Town Manager Milone can present the department budgets with staff in the audience for questions and answers. This will enable operation of the meetings more efficiently.

Mr. Milone stated he would like the dialogue to be more substantive for the budget presentations.

The Council was informed by Mr. Milone that due to the upcoming blizzard/winter storm for March 14th, he will close Town Hall and cancel the Council meeting.

Following a brief discussion, the Council moved the meeting to Monday, March 20th, 6:30 p.m. for Budget Committee meeting and 7:00 p.m. Council meeting.

4. ADJOURNMENT

MOTION by Mr. Slocum; seconded by Mr. Slocum.

MOVED to adjourn the special meeting at 9:28 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk