

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD IMMEDIATELY FOLLOWING THE 7:00 P.M. PUBLIC HEARING ON TUESDAY, MARCH 19, 2019 IN COUNCIL CHAMBERS, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Robert J. Oris, Jr. Chairman; Paul A. Bowman, Vice Chairman; Timothy Slocum (Budget Committee Chairman), Jeffrey Falk, Patti Flynn-Harris, Sylvia Nichols, Thomas Ruocco, Peter Talbot, David Veleber.

Staff: Sean M. Kimball, Town Manager; Arnett Talbot, Assistant Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director; Louis Zullo, Personnel Director; Donna Ouellet, Deputy Treasurer.

Dept. of Education – COO Vincent Masciana

1. ROLL CALL

Chairman Oris called the special meeting to order at 7:41 p.m.

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 AND POSSIBLE ACTION RE: AMENDMENT TO LEGISLATIVE RECOMMENDATION.

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

BE IT RESOLVED, that the Town Council approves Resolution #031919-1

RESOLUTION #031919-1

BE IT RESOLVED, that the Town Council amends the legislative recommendations as follows:

Amendment – Item 11 – Reject Proposed Plan that forces towns to pay a portion of the teacher's pension.

The Governor's budget includes a proposal that forces towns to pay a portion of the teacher's pension. We estimate this will cost Cheshire approximately \$900,000 per year when fully implemented. The Town of Cheshire rejects this proposal. We encourage our delegation and the full legislature to seek alternate solutions to the teacher pension crisis, which would include, but not be limited to, revising the teacher's pension formula and implementing the use of 403B plans in place of the very costly defined benefit plans. Small towns like Cheshire are hard pressed to assume the teacher pension liability, which places significant burdens on taxpayers and reallocated

funds from other vital programs. We encourage our delegation to foster better ideas for teacher pension reform.

Discussion

Chairman Oris thanked Councilor Ruocco for recommending the addition of this item to the Legislative Package/Agenda, and he supports the recommendation. This came after the Council adopted the Legislative Package. Mr. Oris said this is relevant, amending the Town's agenda providing comments against the State pushing down on the Town with a 25% liability for the pension contribution.

Mr. Ruocco stated that the Council voted on the Legislative agenda on February 13th. After that date the Governor's budget proposed that municipalities pay a percentage of the teacher liability pension contribution. Mr. Ruocco said had the Council known about this on February 13th it would have been included in the package. He felt it was important and a sign of what happens when the State mismanages things and pushes it onto the municipalities.

VOTE The motion passed unanimously by those present.

4. PROPOSED FY 2019-2020 OPERATING BUDGET

Administration & Finance, Employee Benefits, General Services, Planning, EDC.

Town Manager Kimball referred the Council and public to the blue colored document submitted for this budget workshop. The information was reviewed and discussed with the Council.

Page 1 – Medical Insurance Analysis - There is a \$102,000 decrease in the renewal projection (dated 3/14/19); the Town Manager's recommended cost is \$3,552,922. This is subject to some changes, and will be monitored for final claim numbers. Last year the Council took \$200,000 from the trust fund and \$50,000 from VEBA for contingency. Mr. Kimball recommends \$160,000 from the trust fund and \$40,000 from VEBA for FY 19-20. The Town has 5 to 6 months of claims in reserve funds. In future years, Mr. Kimball wants to keep away from reliance on the trust funds, and with bad claims experience the use of these funds would have to be adjusted.

Dept. of Education – Mr. Masciana said the medical benefit analysis was updated as of February 28, 2019. Claims history ranges from a low of \$476,000 to a high of \$1M. The trust fund balance is \$3,829,274, which is 5.28 months of expected claims. The net year to date increase to the trust fund balance is \$221,000. During this budget year the DOE reduced the medical benefits line to draw down the medical benefits trust fund;

estimated draw down was \$400,000; the claims year was better than expected; the trust fund could end up with \$3.5M.

Mr. Masciana reviewed the claims history, FY 18-19, which was \$772,161 average monthly claims (expected = \$725,000).

FY 19-20 BOE request for Medical Benefits - \$8,890,374.

Breakout by Category – Claims Funding, \$8,678M – 82%; Stop Loss Premium \$683,425, 6.5%; HSA Contributions \$574,760, 5.4%; Administrative Fees \$540,950, 5.1%; Employee Waivers \$85,316, 0.8%; Employee Assistance Plan/Wellness, \$8,600 0.1%. Total before contributions - \$10,571,432; 100.0%.

Less: Employee Co-Share Contributions - \$1,351,801, 12.8%, and Retiree Direct Pays \$329,257, 3.1% - **Medical Benefits Budget - \$8,890,374.**

When the BOE budget was prepared, Mr. Masciana received the first renewal projections from USI, which was +7%. The BOE did not budget the full 7%. New employee group is under the new structure, HSA base plan; to move up to PPO or HMO, employee must buy out for this coverage; BOE has a healthy trust fund balance. For the renewal, Mr. Masciana said pencils will be sharpened to get to a lower percentage increase. The BOE will be drawing from the medical benefits trust fund for the FY 19-20.

Page 49, Budget Book – Mr. Oris said this shows medical & life insurance, #5702, at \$3,654,990, and it goes down to \$3,552,922.

Mr. Kimball stated that is correct as of March 15th.

With this reduction, Mr. Oris said it is a sizable increase, and questioned the confidence of this being the best that can be done.

This is closely monitored and Mr. Kimball noted the Town is self insured, and will be looking at the RFPs submitted. The administrative fee of \$314,000 is a small portion of the overall budget, and he is looking to save money in this line item.

For the BOE, Mr. Masciana has four (4) good bids, and looking for coverage providing the same providers (part of the union contract). All the providers have 98% of same provider matches, and if not a match, they will still cover them. The BOE and staff will go back to each of the carriers to review and possibly adjust the fees, so there could be further savings.

Mr. Ruocco talked about the trust fund number, 5.28 months of claims, and asked if this number drops monthly.

The BOE Medical Trust Fund Audited Beginning Balance on 7/1/2018 - \$4,050,704. Mr. Masciana said the number is \$725,000 each month. He cited year-to-date additions -- \$5.6M in contributions, Stop Loss reimbursements of \$274,159, RX Rebates \$17,595, Interest and other Adjustments \$64,103; total additions \$5,955,859. January claims were lower; it was the start of the HSA year; and claims will increase April to June.

A question was asked by Mr. Bowman on the number of employees participating in each of the plans.

For the BOE it is 500+ employees; retirees 45 people (number reduces each year); Town has +200 employees, and 33 people in the VEBA.

Mr. Talbot asked about the 3% increase in the access fee.

Ms. Ouellet explained this is part of the charges when claims are paid, is part of the Anthem renewal, and is built-in.

CT Prime Inc. – Cheshire is part of CT Prime Inc. (stop loss carrier) along with other municipalities as of July 1, 2016. Mr. Masciana reviewed the Stop Loss Claim history with the Council.

7/1/16 to 6/30/17 – Individual Stop Loss Deductible, \$150,000; Premium \$714,545; Claims Reimbursement \$1,071,443; Loss Ratio 149.9%; # of claims 9; Avg. Headcount 726.

7/1/17 to 6/30/18 - Individual Stop Loss Deductible, \$175,000; Premium \$742,503; Claims Reimbursement \$687,504; Loss Ratio 92.5%; # of claims 6; Avg. Headcount 714.

Total /Average - Premium \$728,524; Claims Reimbursement \$879,474; Loss Ratio 9120.7%; # of claims 7.5; Avg. Headcount 720.

The first two years history was good for the BOE. CT Prime meets the capital requirement; towns have agreed to increase their premiums; membership must stay together; at the upcoming meeting, the BOE will get final updates.

Stop Loss Experience 2012-13 to YTD 2018-19 – Mr. Masciana reviewed the Town and BOE experience/data with Symetra and with CT Prime. Symetra paid stop loss claims paid -\$408,908; CT Prime paid stop loss claims - \$1,071M.

The CT Prime increase could be 20%, and Mr. Masciana said it will be compared to other provider quotes. If Cheshire leaves CT Prime it will carry liability for claims that

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exceed premiums. There is a State program with a brief discussion on the viability of Cheshire moving to this program. According to Mr. Masciana, the State plan requires all or none; everything must be moved to this plan; there is a three-year commitment with penalties. Cheshire BOE and Town do a good job managing plans over the years, and are below the Cadillac requirements.

With CT Prime there is no commitment, and the town can exit with liability for claims exceeding premiums. Mr. Masciana said there is a strong rationale for towns to work together and save money.

Mr. Kimball pointed out a decrease for the pool and WWTP budget.

With regard to audits, Mr. Masciana said audits are not done. With changes to employee status (divorce, dependent information etc.) they are done immediately.

The Council was told there have been audits to insure claims are properly paid and for employee information review (i.e. dependent over age 26); there are internal reviews by Ms. Ouellett; and lots of cross-checking, scrutiny of information by the Town and BOE. Upon enrollment there is language for the employee to attest to the information submitted.

Page 3- This is the 10-year history 2009-2019 for Town and BOE Insurance Fund Balance as of 6/30/18.

Page 4 – Town Medical Benefits Analysis-Paid Claims. (a) FY 2019 through February 2019, paid claims of \$2.155M; contributions - \$2.159M.

Page 5 – Dept. of Education Medical Benefits – Paid Claims. (a) FY 2019 through February 2019, paid claims \$5.88M; contributions \$5.6M.

Page 6 – Town Insurance Trust Analysis - \$2.611M Trust Fund Balance, before projected claims; three year average - \$1.531M.

Page 7 – DOE Insurance Trust Analysis - \$6.629M prior to projected paid claims.

Page 8 – Heart & Hypertension Fund – FY 2018 balance of \$380,011. Claims are paid out of the fund on pay as you go basis; there is one large individual claim; fund will be tapped out at the end of the next year.

Page 51 Budget Book - Dept. request was \$530,000; Town Manager recommendation is \$390,000, an increase of \$40,000; FY 2018 the fund balance was down to \$380,011; expected claims of \$530,000.

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Mr. Kimball explained this program applies to police officers hired before 1996. There are currently two claims for officers on the force before 1996. CIRMA administers this program for the Town.

Page 9 – Debt Service \$6.40M. Mr. Kimball stated one position is being reduced in the WWTP budget (Operator); \$100,000 transferred from the WWTP Fund Balance, which is justified with the position elimination and energy rebate/credit.

Debt Reserve Fund - \$943,997 generated from bond premium, with a net of \$843,997.

Pages 10-14 – Debt Service Payments FY 19-20.

Page 15 – Use of Debt Reserve & Other Potential Resources – this information is updated for the recent debt issuance; 2020 revised net debt - \$6.640M.

Page 16 – Five Year Capital Expenditure Plan, FY 2019-2023. Over the ten year period general fund debt liability will be \$93.4M.

Page 17 – Employee Benefits-Retirement. Mr. Jaskot noted this information is in the budget documents and detailed on page 53.

Town Manager 2020 recommendation is \$3.160M.

Police Plan is incremental to the point so it is closer to where it needs to be with +\$250,000 paid last year.

FY 19-20 budget - \$1.884M actual contribution, +\$800,000 increase; the reduced rate of return is 7.5%, and the actuaries recommend a lower rate.

Page 18 – Employee Benefits Ten Year Analysis, FY 07-08 to FY 19-20(proposed).

Total - \$3.160M, which is an increase of \$249,477, or 9.54% of General Government budget.

Page 19 – Town Pension plan Contribution. Town Manager Recommended contribution of \$1,789,109; Actuarial Recommended Contribution of \$1,800,781; Proposed Adjustment of \$11,672.

Page 20 – Pension Plan Rate of Return Analysis for 2020 Contributions – (Town, BOE, Police and Volunteer Firefighters). Mr. Kimball said the actuary wants the rate at 7.375%, which would be a \$138,000 contribution increase. Following a brief discussion the Council stated preference to be at 7.50%.

Page 21 – Town and BOE Pension Plan, July 1, 2018 valuation & summary of results; interest rate assumption of 7.500%.

Page 25 – Pension Plans Funded Ratio. Town – 83.9%; Police – 60.6%;
Firefighters – 50.4%.

Planning Department and Economic Development – Mr. Kimball advised there are no changes to these budget.

General Services and Planning – Mr. Kimball explained his decision to move the 25 hour Planning Department Clerk to the General Services Department, but home-based in Planning Office; the Clerk services would offset those needed in the Town Clerk and Tax Assessment Departments, especially during July and January tax office peak times.

General Services – Pages 39 and 40 in Budget Book.

Mr. Jaskot reported this department budget decreases from last year by \$25,000 to \$263,743.

Electronic Media Coordinator position, \$40,000, removed from the FY 19-20 budget.

Mr. Kimball said other positions (Dispatchers) need to be funded.

Dues – there is a line item of \$1,225 for membership in the Council of Small Towns. Mr. Kimball finds this organization very helpful with advocacy, legislative updates, seminars, etc. There is also a request for funding for the Town Manager to attend the ICMA Annual Conference (page 6 of the budget book).

The issue of professional development for town staff was raised by Mr. Veleber, who asked if there is any funding for this program.

Mr. Kimball said with each budget he will pull out this information for Council review regarding membership and conferences.

General Services/Telephone - \$48,000; Postage - \$62,000 with increase due to postage increases; Copier - \$65,000; the five-year lease term ends in October 2019 for review and decisions on copier rentals and costs.

Mr. Masciana reported the DOE rents its copiers for five year term, and pays \$1.00 to buy the machine at lease end.

The Council will hold a public hearing on the FY19-20 proposed operating budget on Tuesday, March 19, 2019, 7:00 p.m. in Council Chambers, with a budget workshop to follow the public hearing.

5. ADJOURNMENT

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

MOVED to adjourn the meeting at 9:30 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk