

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON MONDAY, MARCH 27, 2017, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Budget Committee Chairman Timothy Slocum, Michael Ecke and Sylvia Nichols.
Council Members: Chairman Robert J. Oris, Jr.; Vice Chairman Paul A. Bowman; Jeffrey Falk, Patti Flynn-Harris, Thomas Ruocco, Peter Talbot.
Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director; George Noewatne, PW Director; Walter Gancarz, Town Engineer; Dennis Dievert, Supt. WWTP; Robert Ceccolini, Parks and Rec Director; Sandy Patella, Deputy Director, Parks and Rec Department.

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.

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

Water Pollution Control Department - Summary Book, page 84; Tab Book Page 115.

The WPCD budget increases by \$174,000, 5.08%; \$200,000 is money transferred to pay for the debt service for the WPCA; without taking out the \$200,000 this budget would decrease by \$26,000. Average WPCD annual budget increase over five years has been 1.42%; this year the increase is \$125,000 for transfer to the General Fund for debt service. This averages to a .68% a year.

With the treatment plant upgrade there has been savings and greater efficiency. WPCD oversees the treatment plant and nine (9) pump stations. WPCD is looking at creative alternatives to the user fee rates, such as a split rate with one residential rate and one commercial/industrial rate. This is a legal way to find significant revenue increases, without a burden on the taxpayers. It is more budget revenue and more money to defray debt service going forward. The residential user fee would increase to \$405 (from \$400). It is illegal to charge the prison a separate rate

Mr. Gancarz explained that the current residential rate is \$400. In the 2013 rate report (2016 report coming out shortly), annual residential rates for surrounding towns show Wallingford's rate at \$467, Southington at \$500, Meriden at \$395. None of these towns have implemented phosphorous removal, which will be additional costs to them for debt service and treatment costs. There are fewer full time staff at the treatment plant now than 10 years ago. Since that time there have been two major additional treatments ...denitrification and phosphorous; and, two more buildings with pumps, filters, etc. to be

maintained. Cheshire has 102 miles of sewer, 9 pump stations to be maintained and operated 24/7, and the treatment plant.

Electrician - this person is doing much of the electrical work at Cook Hill Road station. West Johnson Pump Station Upgrade - will not be employing full time inspector; work will be done by the treatment plant staff and Mr. Gancarz.

New Equipment - as it goes on line, the impact of the digesters working again has helped with reduction of heating oil and amount of sludge shipped off site.

WPCD is a very competitive department, with less staff than neighboring towns, with more treatment required.

Supt. Dievert advised the completion date of the upgrade to the plant was November 18, 2016 and cited the following facts. Digester start-up began in Fall 2016; the plant is running up to capacity now; sludge has been reduced from 3,000 wet tons to 2,650 tons; digester will enable going down to 2,200 wet tons; cost is \$67.29 a ton; the digester creates methane; oil use reduced to less than 10,000 gallons; there are two burners at 90% efficiency, both running on methane; West Johnson Pump Station next project; Cook Hill Pump Station general contractors working out there; Methanol in 2007 was budgeted at \$200,000 a year, and it is now \$66,000 a year; chemical usage is cut back by half from projected amount; electricity is straight lined with the new equipment.

The operational savings without an inspector on site is part of the capital budget.

Mr. Oris talked about more responsibilities with the new plant, and asked if there are expected further savings with the new plant, i.e. in utility costs and personnel efficiency.

In response, Supt. Dievert said the overtime is substantially down from last year; the plant runs more effectively and efficiently; and there are just enough people to operate the plant...and more could be used for the 24/7 operation.

Mr. Gancarz said the sludge has been reduced, could be further reduced to 2,200 tons, and the efficiency of the digesters is expected to increase, more methane created, and decrease in heating oil. Some things need to continue; there is a balancing act with the phosphorous to get it right; disinfections is done with UV light rather than chemicals; electricity costs have been flat, with estimated expense of \$305,000. Regarding electricity costs, Mr. Gancarz said there will be an increase in the demand charge more than congestion charge on the system. The generation rate is locked in; the congestion charge results in a higher demand charge for larger users such as the town and school system. This will increase again in 2018.

According to Mr. Jaskot, the Town is looking at a 12% increase in electricity/transmission charges. Supply rate is a fixed rate; the transmission piece increases a lot; and the consultant did advise the Town about this increase.

Program materials decreased with use of fewer chemicals. In 2016 cost was \$122,000; last year estimate was \$148,000; and this year it is \$155,000. Mr. Oris does not see a big savings.

Supt. Dievert noted there is adding of chemicals for the phosphorous removal.

For this year, methanol is budgeted at \$66,000, and Mr. Milone noted it was \$200,000 nine years ago. Over this course of time, Supt. Dievert found a way to reduce use of methanol and use of new chemicals.

The new plant is \$32 Million and Mr. Oris hopes to see some operational savings, but savings are not as great as he expected.

Mr. Milone reviewed some of the numbers before the plant went live. In 2017 the plant went live; \$170,000 was budgeted, and the asking is \$155,000 for next year. This represents the more accurate base; it represents the new chemicals added to meet phosphorous removal requirements.

Between April 1 and November 1, there is the requirement to remove phosphorous. Mr. Gancarz said last year was the first year for this operation, estimated at \$170,000, and \$148,600 will be spent. In 2016 some chemicals were not used for a \$41,500 savings. Wet sludge savings show up in the bio-solids, #5409; tonnage is going down; a decrease in the rate is unknown at this time.

Supt. Dievert explained that the digesters heat the heating oil; there are less solids; the reduction is 40% to 50%; it is a biological process; last year's tonnage was 3,000; and this year it will be 2,650 tons. Cost of \$64 a ton.

Mr. Oris asked about the increase in maintenance, \$13,000.

The Council was told by Supt. Dievert that much of the cost was for a vehicle with problems and maintenance. There is no replacement planned for the small dump truck, but it is in the five year plan.

Debt Service-Handout 3/27/17. Page 3 - illustrates the WPCD Debt Service Summary for FY ending 6/30/18. Mr. Milone explained there are four parts to the debt payment that is made. Sewer Bonds, CWF Notes Pump Stations, CWF Funds Plant Upgrade (\$2.033 million), CWF Interest of \$1.268 million; the sum WPCD debt service payment for total 2018 which is \$4,352,469.

Debt Service Paid by WPCD Fund - the fund balance of WPCD is about \$900,000; WPCD took over cost of one of the pump station projects (\$580,934); WPCD additional debt appropriation of \$200,000 Total 2018 WPCD Debt Service paid by WPCD Fund is \$1,280,934.

Page 124 shows fund balance going up, and at end of 2017 it is expected to be \$972,000; end of 2018 it is expected to be \$985,000.

General fund transfer of \$650,000; reimbursement for administration \$150,000; balance of \$500,000 goes to paying down debt service. Total generated is about \$1,280 million available to pay towards the \$4,352 million debt service.

Net WPCD debt is \$3,071 million; \$2.5 million from debt reserve is used to further reduce this number.

Net fiscal year 2018 WPCD Debt Service paid by General Fund - \$571,516.

Page 4 - WPCD Rate Analysis. \$405 generates \$42,779 revenue; this allows growing of the fund balance; every \$5 is \$42,779 of revenue.

Page 5 - WPCD Analysis, split rate. Mr. Milone noted it is illegal to charge the prison a separate rate. There are ways to split the rate, legally, and other towns do this. The summary shows the rate split residential and commercial; \$405 residential user fee; commercial rate of \$3.07 for every 100 c.f. Commercial revenue generation goes from \$676,500 to \$813,491...and additional \$145,343. Commercial, Industrial and Prison are charged \$3.07 per 100 s.f.; there are 440 commercial and industrial users.

This is the way to extract more money from facility users; taxpayers not using the sewer system do not have to subsidize the cost through their taxes; this plan must be recommended by the Council to the WPCA which must endorse the plan. WPCA sets the rates; prison usage is taken off a meter; commercial and industrial users get an RWA printout on how much water was used in the prior 12 months; the rate is applied to the water usage and the billing is sent. Mr. Gancarz stated the analysis shows usage going to a split rate system with revenue generated. Residential fee will not change, and could even be reduced. For the Southington CT plan, Mr. Gancarz said the town residential charges are by meter at \$3 per 100 c.f. and the town charges commercial users \$4.20 per 100 c.f. and all commercial users are charged a higher rate.

The analysis shows the split rate system in Cheshire and revenue that can be generated from commercial users.

Mr. Bowman asked how the rates work for commercial facilities, i.e. convalescent homes and other commercial users.

The Council was told that municipalities fall into the commercial rate, and that includes BOE facilities, treatment plant and Town buildings. The treatment plant is a large user, and at the current rate pays \$18,870; at the newer rate of \$3.07 the revenue would be \$22,692, +\$3,800 increase.

The assumption is a 20% increase in the rate. Mr. Milone cited the revenue at 5% = \$83,000; 10% = \$166,000; 15% = \$249,000. The percentage could start lower and increase every year, adding a flow of revenue to help pay down the debt. Government entities must pay a user fee, and this is why the Town can bill the State for the prison.

Mr. Gancarz will do a profile on the larger users at the various percentage rate increases (top 10 tax payers).

Funds generated through the rate increase will go towards debt service and build up the fund balance. Mr. Milone said there could be an additional \$300,000 each year to pay off the debt service.

Lawsuit Hearing - Mr. Gancarz reported on the post trial hearing. After the trial is held both sides prepare final briefs on their points; the Judge calls the two attorneys in for a question and answer period and clarification. It could be four months before the Judge makes his decision. Mr. Gancarz gave his interpretation of the post trial hearing. Questions were raised: How much was the additional prison usage, and how \$1.45 million was the decided number; many questions on whether municipalities can charge the State interest of 18%; charging the State for the lump sum payment for the upgrade. Mr. Gancarz does not believe the payment for the upgrade will be successful as there was no agreement in place for this charge. CWF Fund and loan were awarded to Cheshire, and now the town wants the State to pay more. Regarding the injunction, the 1990 agreement cites 350,000 gallons a day for the prison usage, and it is now 530,000 gallons a day usage. Cheshire's agreement with the State is not good compared to other towns with prisons.

This argument started nine years ago and Mr. Milone said Cheshire's agreement is different, and the State will not pay for part of the plant upgrade...but it has paid for other towns to upgrade their plant. If the State exceeded the daily allocation cited in the agreement there was a day to day penalty. There was discussion with the State to amend this agreement; the amended agreement was prepared by our Town Attorney; and OPM said it does not amend agreements with prison towns. At that time, Rep. Fritz found amended agreements with other prison towns. The Town and OPM could not agree, and the lawsuit started.

Public Works Department Budget - The department budget is up 3.24% or \$180,971. Storm Water Management - \$65,100; RWA Usage \$53,000 due to 7.5% rate increase; Tip fee for solid waste contract - \$44,805. Five year average department increase has been 1.63%; there has been savings with automated recycling, acquisition of street lights, and performance contracting. The department does a good job keeping services up and maintaining a reasonable increase.

Major Issue - moving Parks and Rec Parks Division to the Public Works Department. Costs are built into the PW Department budget for this transfer.

Page 117 - Salary adjustment of \$5,625.

Page 121 - Salary adjustment of \$15,626.

Parks and Rec Foreman Position total cost \$106,000; position to be eliminated. \$5,700 salary increase to the Crew Leader; \$21,000 for PW Department additional supervision; Total cost for five (5) people doing the work is \$127,000,

Mr. Milone advised the Council that the proposed personnel changes and costs will be provided in a detail summary, to be discussed in executive session.

There was a discussion about the differences in PW and Parks and Rec job duties; Parks and Rec crews doing things on short notice, at odd hours of the day, and whether PW crews and management can adjust to this transition.

Mr. Oris cited his concerns of the Parks and Rec crew being broken up, not staying as a core group, continuation of their duties as in the past, reporting to new management, and the Parks crew being dispersed into PW job responsibilities. He commented on the BOE calling on the Parks and Rec Department for assistance with its ground crew work.

According to Mr. Noewatne, the PW crews are used to doing things at the last minute, i.e. a tree falling down in the road, and they are adaptive to unusual things happening and moving around. He has talked to Mr. Ceccolini, and noted the Parks and Rec guys have informal lines of communication with local teams and user groups. It is realized this is important and must be maintained. There will be some PW planning and organization brought to the transition. The two groups of workers do have a different culture; they can, and have, worked together; everyone is flexible; and there is a good blend which will work out well.

Stating her concerns about flexibility, Ms. Flynn-Harris was pleased to know there will be flexibility. She asked about who will handle Parks calls coming into the PW Department...or if calls will still go to the Parks and Rec office as the main contact for the field crew.

This is a big "what if" and Mr. Noewatne said it must be determined where the lines are drawn, and it is an issue to be resolved. The scheduling is done by the Parks and Rec office; what needs to happen can be communicated to the PW office; lines of communication must be established; and he does not see the PW office taking direct communication for the Parks work. Mr. Noewatne did say it will be a "team" with Parks guys and PW guys filling in for each other's responsibilities if necessary.

Mr. Milone said this is an area where there will be time spent talking with staff. Communications will come from different areas to different people. There are many informal communication networks, and communication must be channeled through someone with a sense of the overall Parks operation. There must be one contact person. This will all take time and understanding by everyone. PW has more staff, and can provide some manpower to the Parks Division, redirect and re-deploy as needed.

If there is an issue such as fields to be cut, Mr. Gancarz said PW can deploy guys to assist the Parks crew. With a few hours lead time the work will be done.

People will still call Parks and Rec and Mr. Slocum said there are concerns about how these calls are handled, or if there will be a dispatch system worked out.

Mr. Milone said there will be a triage system where people know who to call to get something done immediately, and these things will be worked out.

Mr. Bowman stated he does not want the youth groups managing the Parks and Rec workers, as this could be a problem.

This where the PW chain of command would work. Mr. Noewatne talked about things going on, problems on a field, PW guys helping out so there is no overtime, and supplies provided for both crews. They are in the same union, have the same skill set, are somewhat interchangeable, even if job descriptions are different. PW and Parks and Rec garages are next to each other. Parks crew can receive instruction from PW management. Going forward, it will all take time; there will be hiccups along the way; and things will be worked through; issues will be taken care of; and there will be a focus on the lines of communication.

Mr. Milone pointed out that the Grounds Keepers will have a crew leader; there will be a supervisor among them; and this will be a link to the new chain of command.

It was stated by Mr. Oris that there must be an understanding of responsibilities. Public Works has lots of public involvement; Parks and Rec receives communication from many groups; there must be a culture that Parks and Rec is flexible; and there must be someone for the public to reach out to in the PW Department.

The PW Department is in the public eye, and Mr. Noewatne understands the points being made. Crews react quickly. He foresees situations with Parks Division having an early Saturday morning for park events. Many issues need to be worked out if the transition becomes a reality.

Much of the scheduling and maintenance is predictable, and Mr. Milone said this is part of the routine. It is hoped exceptions are few and far between, but when they happen things move quickly. The crews have their schedules, know what to do, and this is routine. This type of transition has not worked in other towns and Mr. Milone said their approach was not good, it was badly handled, and there were two bargaining units. Cheshire's workers are in the same bargaining unit, and they have worked together for a few years during snow removal and the winter blitz. If Kevin Simmons had not retired, Mr. Milone said he would have recommended this transition...maybe not this year, but eventually due to the potential for savings.

There are many towns going through this, and Mr. Noewatne reached out to some of his colleagues who said it works, but takes effort. There are different culture issues and needs, and there must be open lines of communication.

Mr. Talbot asked if PW crews are evaluated on the number of tasks or when work orders are cleared.

There is no evaluation on clearing of work orders and Mr. Noewatne said the department gets 1200 to 1300 tickets a year for various tasks to be done. The crew's efficiency is considered in their evaluation. All the work orders cannot be equal, but there is a good record of closing out tickets.

Mr. Talbot asked if thought has been given to the exact managerial structure of what the department will look like.

Mr. Milone stated this is a discussion for executive session with identification of positions and changes; it involves four positions.

At this time, Mr. Noewatne said he has no vacant positions.

In response to a question from Mr. Oris about changes and more hours, Mr. Noewatne said there are no current positions vacant, and no additional hours or personnel are planned. The Mechanic position was filled in last year's budget.

Page 117 - Mr. Milone noted a reduction in a permanent full time position, and manager adjustment of \$12,507. This is due to Mr. Gancarz working one less day, and he has agreed to work three (3) eight hour days.

Mr. Milone talked about the PW budget not going up higher. The Construction Line Item was \$325,000; it was rolled back to \$300,000; Leases were rolled back by \$15,000; \$12,000 savings in the water account. There was a request of \$80,000 to rebuild two dump trucks.

#5403 - Mr. Noewatne said the two dump trucks need to be replaced or get rebuilt frames. Some of the trucks cannot get a safety ok from the fleet manager. One truck will be auctioned off as it cannot be used; and the other truck will get a rebuilt frame.

Bulky Waste - Mr. Bowman asked if this cost is in the budget. Mr. Noewatne said "no"...the last time for this pickup was in 2014 at a cost of \$260,000.

A proposal for bulky waste pickup was received from A.J. Waste for a pickup every three years, and this will be further discussed with the vendor. Mr. Milone is not comfortable with the cost at this time, and advised that automated solid waste savings is not significant.

#5203 - \$165,000 in 2018. Mr. Oris said \$145,000 was spent in 2017, and asked about the \$20,000 difference. Mr. Noewatne advised \$171,000 was spent in 2014, and \$164,000 in 2015. Last year was a low year, and it is assumed it will increase this year.

Estimated expenditures are not always realistic and Mr. Milone said he asked departments to hold back, awaiting what the next three months bring. There is a soft freeze imposed on all departments.

Page 126 - Mr. Noewatne noted item #5409, \$50,000 for the Tree Division.
Mr. Milone said there is some money in the CEP, \$150,000, for the Ash Tree problems.

#5409 - Weeks Pond expense for algae treatment, and Mr. Noewatne noted the budget has this being disbanded. It is \$10,000 which the Town cannot afford.

Water Hydrants - this is a Fire Department budget item; repairs of hydrants is in the PW budget. \$21,000 for emergency repairs by RWA; the Town wants RWA to paint and rehabilitate the hydrants, estimated cost of \$50,000; RWA rates are increasing 7.5%.

Manhole Replacement - there is some funding for this work.

New Smaller Dump Truck - Mr. Noewatne reported this four-wheel truck works well.

Public Property - page 41. Contractual areas are increasing. The Town has about 200,000 s.f. of buildings; 27 buildings to be maintained along with utilities; the budget is status quo.

#5404 - \$340,540. There are two Building Maintainers in the Public Property Division of the PW Department. Utility rates are increasing; electric costs are up \$16,000; with performance contracting the Town is still feeling its way to the right balance of utilization. Mr. Milone cut this from what was requested; \$288,000 appropriated; more will be spent.

Mr. Oris commented on the Town Hall building not working well, and asked about the recourse to the company that did the building...getting the company to reevaluate the Town Hall building.

The issue is the infrastructure. Mr. Noewatne explained this did not change; there are the same heating loops, same distribution system; the chillers, boilers were modernized; but we are stuck with what is in the walls since 1989. Part of the approved upgrade is \$300,000 for controls to work, specifically for Town Hall building; and this is being worked through right now.

PUBLIC COMMENTS OR QUESTIONS

Tim White, 1682 Orchard Hill Road, talked about utilities, and savings of \$200,000 or more this year for Town and School electric bills with 100% solar. This could happen with more man hours in PW Department.

Mr. Milone stated electric and gas expenses are reduced this year. Electric for 2018 is \$112,000; Natural Gas is \$77,550. In 2014 the expenditures were \$343,000.

The Council was informed by Mr. Noewatne that Ameresco will be doing a check-up on their stated savings for the Town.

Mr. Gancarz explained that the Town Hall building has a unique system; make-up air must be moved around; the building has un-tempered make-up; when it is 20 degrees outside the make-up air is coming in at about 20 degrees. This must be fixed at some point, and Mr. Gancarz is surprised this was not a project under the contract. Ameresco did not realize this issue with the system.

Scheduling - Planning Committee Meeting, Tuesday, March 29th, 6:00 p.m.
Joint Council and Budget Committee Meeting, Tuesday, March 29th, 6:30 p.m.
(executive session first on CPD contract negotiations).
Public Hearing, Wednesday, 7:00 p.m.; Council/Budget Meeting following the public
hearing.
Human Services Department budget will be on the agenda the week of April 3rd.

4. ADJOURNMENT

MOTION by Ms. Nichols; seconded by Mr. Talbot

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

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk