

**MINUTES OF THE SPECIAL CHESHIRE TOWN COUNCIL MEETING HELD ON  
TUESDAY, OCTOBER 3, 2017, AT 7:00 P.M. IN ROOM 207, TOWN HALL, 84  
SOUTH MAIN STREET, CHESHIRE CT 06410**

Present

Council Chairman Robert J. Oris Jr.; Vice Chairman Paul A. Bowman; Michael Ecke, Jeffrey Falk, Sylvia Nichols, Thomas Ruocco, Timothy Slocum, Peter Talbot.

Absent: Patti Flynn-Harris

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Assistant Town Manager Arnett Talbot; PW Director George Noewatne; Dept. of Education COO Vincent Masciana

**1. ROLL CALL**

The Clerk called the roll and a quorum as determined to be present.

**2. PLEDGE OF ALLEGIANCE**

The group Pledged Allegiance to the Flag.

**3. DISCUSSION RE: IMPACT OF STATE BUDGET ON TOWN  
OPERATING BUDGET**

Chairman Oris commented on Council and staff discussions over the past few months about potential gyrations if the State hits the town hard with revenue reductions. There is reality that the town will be hit reasonably hard; the town has lost the first PILOT payment of \$1.5M; and awaits the first ECS payment later this month.

Town Manager Milone reported that he attended a CCM meeting earlier in the day, and there was confusion about progression of funding to municipalities. He reviewed the steps and what has happened with the State budget over the past few months.

Mr. Milone distributed a handout on the FY 2018 budget analysis, status and recap of State Aid proposals. A copy is attached to these minutes.

Page 1, column #1 – 2018 budget process started at \$14,816,010 in State revenue; the first column cites the various revenues promised by the Governor in his original budget. One of the exceptions, in adoption of the Cheshire town budget, was the \$3,508,100 (Governor imposed town contribution) for the Teachers Retirement Fund. The Council decided to defer this and wait, with the hope the State Legislature would prevail and not impose this \$3.5M payment on the municipalities. Cheshire adopted a budget with the \$14.8M State revenue amount.

May 2017 – the Governor proposed a budget revision; it was realized the original numbers were not realistic; the State had \$400M less in tax return revenue than projected; this is a shortage in revenue in FY 2017, and this carries over to FY 2018. The State first tried to cut the Mashantucket Pequot payment of \$800,000/\$900,000, but this did not happen. There was elimination of the Mashantucket Pequot grant/Mohegan Fund Grant - \$2.039M; Municipal Revenue Sharing Grant (MRSA) –

\$855,170; total of \$3M revenue removed from Cheshire; and there was formal imposing of the \$3.508M Teachers Pension Contribution. In a matter of 5 to 6 weeks the Town went from \$14.8M to \$3.7M. The Teachers Pension Contribution was not included in the town's original budget numbers.

June 2017 – Problems continued to get worse; the Governor came back with another budget proposal that gutted most of Cheshire's State revenue, with few dollars to education (for Adult Ed and ECS). There was a change in numbers from the original budget to a revised plan. There were dramatic cuts to ECS and Adult Education, but reinstatement of the MRSA. The \$3.706M dropped to \$1.667M.

When the Governor realized the Legislature would not adopt a budget, he eliminated all the municipal aid, and all but \$943,000 in ECS grant and \$25,000 in the Adult Ed grant. This left Cheshire with the amount of \$969,000; this is \$13,846,000 less than where the budget started.

In FY 2017 when the Town started the budget (one year earlier) it was \$16.625M. In the middle of the year it was cut to \$15.859M; the new fiscal year it was \$14.8M...a loss of \$1.8M in a 12-month period.

August 18, 2017 – The Governor invoked Executive Order 58, which allows him to decide on how to distribute State aid in absence of a State budget. The legislature proposed a budget two weeks ago (Republican proposal). This budget restored most of what was in the original budget, with some variations in education funding distribution, and reinstated the Municipal Stabilization Grant at \$689,772 (eliminated two years ago). This budget had State revenue of \$15,876,139 to the Town of Cheshire...which is \$1.060M more than the Governor's budget.

This sequence of events shows how the Town was taken from a low of receiving revenue of \$969,631, compared to \$15,875M (Republican proposed budget) which is plus \$1.060M from the original Governor's budget of \$14.816M.

Mr. Milone stated that this information shows how chaotic and how polarized everyone is with these numbers being so far apart on what is being discussed. He said it is obvious that the Governor's intent is to do anything he can to make this as draconian as possible to force the legislature to adopt a budget. In the process he has emasculated the towns, with no effect on bringing about a resolution and consensus, and 169 towns being killed in the process.

Page 2 – Executive Order Progression of Revenue Loss – This information identifies the sequence of events where the town continues to lose money if the executive order is operative for an extended period of time.

August 2017 - Adult Education, 67% of the revenue of \$25,964 due in August; Cheshire received \$17,408.

September 30, 2017 – The town expected 100% of the two grants for State property \$1,580,065, and Colleges and Hospitals \$83,924 (PILOT); this revenue was never received and was adopted in the town operating budget. Town expected to have \$1,681,385 from the State, and only received the \$17,408.

October 27, 2017 – It was expected the Governor would continue to pay based on the original amount of funds appropriated. Cheshire expected 25% of the ECS adopted budget amount of \$9,497,504 or \$2,374,376; the cumulative amount expected to be received at the end of October was \$4,055,761. Cheshire received a wire transfer of \$235,917 on October 3<sup>rd</sup> from the State. The Governor decided to use the cumulative amount for distribution of municipal aid...and pay 25% of the \$943,667.

Mr. Milone explained that the State has the responsibility to make these payments in various months established by the legislature, and traditionally it is the end of the month. Cheshire was using October 27<sup>th</sup> as the date for payment. At the CCM meeting towns reported receiving ECS grant funding at 25% of the amount the Governor identified in August in his executive order. The loss of funding is beyond anything anticipated. The legislature wanted to override the Governor's veto but this was not successful, they could not get a motion to move the item to veto, nor were there enough votes. Most recent information is that the Governor is directing the legislature to adopt a budget by October 13<sup>th</sup>.

The Town of Cheshire has received a State payment of \$253,325, when it was expecting a \$4,055M payment.

If there is a budget adopted next week, Mr. Milone said the biggest concern is whether the \$4.055M will be adopted, or will towns not be reimbursed for the money taken out by the Governor exercising his executive order. The town sits with a high degree of uncertainty, unsure of what numbers it should work towards, and how quickly to work towards this number. Mr. Milone said the town must protect itself, and the question is what are we protecting ourselves from...continuing losses, restoration of grant money, imposition of the teacher's retirement pension contribution.

Mr. Bowman asked a question on when the town would run out of cash.

The Council was informed by Mr. Jaskot that the town pools its cash, and reported on the cash status of the town.

There is about \$10M in the General Fund; Fund Balance is at 9.5%; \$4.5M in the Debt Service Reserve Fund not earmarked for this year; \$4M in the Medical Trust Fund; several million in various grant and gift funds. With pooling of cash, Mr. Jaskot said the town has about \$20M. Bi-weekly payroll BOE and Town is a large number, a few million dollars, and Mr. Jaskot will get the exact number/information to the Council.

Mr. Slocum talked about tax bills going out and due August 1<sup>st</sup> which brings in a serious amount of money. He asked how this money is earmarked and factored in.

In January there is another tax payment due and Mr. Jaskot said this is another boost in revenue. The town usually ends the year with a surplus, and with current year activity this will be a wash. At the beginning of the fiscal year and in January there is more cash flow, about \$35M, but it goes out quickly.

Mr. Milone believes there is more cash flow, and staff will do an analysis for the Council to include bi-weekly payroll numbers.

Stating he did not want to get into capital projects, Mr. Jaskot said there is \$17.5M bond sale money, but this is earmarked for projects.

With the receipt of the early payment of \$235,917, Mr. Milone advised that the State explained it was 28 days early due to towns having cash flow problems. He said the Governor has sent a message to the towns and legislature...it was a nasty way to do it.

Chairman Oris said staff and Council should assume there is a protracted period of time with the executive order staying in effect. On that basis there should be a cash flow analysis prepared by staff for Council review.

Mr. Milone said the next State payment is expected in December, with continued assumption of the worst case scenario.

Through the course of the year Mr. Jaskot said the bottom line shows a reduction of \$13.8M to Cheshire. With a \$10M fund balance, this will be eaten up quickly; there could be use of some other reserves to keep the town running; but there will be depletion of the town funds with more problems next year.

Mr. Slocum asked about actions which the Council can take, and noted this sitting Town Council may not have the opportunity to send out supplemental tax bills. He asked at what point these supplemental tax bills are sent out, and what can be done for taxpayers, as they pay the second half of real estate taxes at the end of the year.

According to Mr. Oris what the Council is accomplishing now is to decide on freezing projects, department budgets, expenses, and pulling reins on things now.

Stating his agreement, Mr. Slocum said as time goes past towards the new year, he questioned when supplemental bills could be sent out.

Mr. Bowman stated that cannot be answered at this point, but there can be a hiring freeze, expenses frozen...but he is not a proponent of using all the cash, or money bonded on projects for operations of the town.

The Council was told by Mr. Milone that discussions have started with the Tax Assessor and Tax Collector about supplemental tax bills. The initial reaction would be to piggy-back this bill on the 2<sup>nd</sup> tax installment. Motor vehicle and property tax bills are paid in one installment, and some people have already fully paid their real estate taxes. The best time for a supplemental tax bill would be in the next tax billing cycle. Mr. Milone also said there is a fear of making dramatic decisions to save money, generate revenue from taxes, and then State revenue is restored.

Chairman Oris stated there must be continued discussion regarding the hiring freeze and saving money.

Mr. Talbot asked if there are any strategies coming from CCM and other towns, or meetings scheduled with other towns.

There has been talk about layoffs, raiding fund balances, and Mr. Milone said it also included raiding all the town's reserves, possible tax increases. For some towns it is more realistic for a tax increase, and some towns have not issued tax bills as they waited for the State budget to be approved.

With regard to CCM, Mr. Milone explained that all their efforts are concentrated on the State. Towns are so different with variations of problems, issues and needs, and it is hard to get together with a model to follow. CCM will inform towns what each is doing, but is not equipped to mobilize the municipalities under one model.

Mr. Talbot asked about a strategy session for the towns, presenting ideas on how to mitigate the situation and help the communities.

Mr. Bowman asked what the town spends in unfunded mandates.

Mr. Milone said he did not have a firm figure, but cited some ongoing State mandates and their funding.

- In FY 2017, Cheshire transferred to the State of Connecticut \$1.1M in real estate conveyance tax payments, and there is a monthly report sent to the State.
- \$250,000 in variations of things collected in the Town Clerk's office; the town takes a small part of this payment with the larger portion going to the State.
- About \$1.250M to \$1.350M in mandate payments is sent to the State each year.

Mr. Milone talked about the mandates and bills for the water testing by consultants, sewer cleaning and 300 other mandates from the State. He will be meeting with department heads, identify actual savings to be generated without meeting obligations

to the State. Without compliance with mandates, Mr. Milone explained that the State takes 50% of the town's municipal aid...and right now 50% of nothing is nothing. For the real estate conveyance tax payments, about 1/3 has already been sent to the State, and the \$1.1M is an annual gross number.

In his office, Mr. Jaskot said there is a requirement from the State to provide a uniform financial statement. To do this, financial staff must convert the town's financial statement into the State format, which is a few weeks of work by the Deputy Finance Director and staff.

Mr. Ruocco asked about the revenue shortfall numbers.

The Council was informed by Mr. Milone that the Town expected to receive \$4.055M from the State, and received \$253,000 on October 3<sup>rd</sup>; this is a \$3.802M shortfall.

Page 3 Budget Options – Mr. Milone reviewed these options with the Council.

A. Revenue Revisions - \$425,000 revenue with potential excess tax collection revenue at 99.7% rate; and increase in fees and fines.

B. Expenditure Reductions/Freeze – Mr. Milone understands there must be some reductions by Board of Education and General Government. He cited the C.N.R. account at \$850,000; Contingency at \$125,000; and reductions based on percentage of the budget (.50%; 1.00%; 1.50%) by the Town and BOE.

C. Use of Reserves – Mr. Milone reviewed the reserve funds cited. Fund Balance at \$10.577M; Medical Benefit Trust Funds – Town \$1.438M and BOE \$3.113M; WPCA Fund at \$872,603\*; Debt Service Reserve \$4.673M\*; Energy Rebate Reserve \$213,799\*. (*\*portions committed to future debt service payments*)

Mr. Milone stated that anything taken from Debt Service Reserve and WPCA fund will shorten the amount in place for the next four years.

D. Withhold State Revenue Collection Payments

E. Forego Mandate Obligations

Mr. Milone stated that taking money away from these two areas (D and E) will get the State's attention.

F. Supplemental Tax Bill – one mill = \$217,800; and there will be impact on the average taxpayer.

Mr. Milone cited areas of reductions, including freezing everything; working through some variations of what can be cut from some of the reserve accounts; freeze on all non-essential expenditures; delaying anything that can be delayed; hiring freeze.

Earlier this week Mr. Milone sent out the monthly bulletin, and explained the welcoming of people promoted and new employees in town departments. There were questions from Council on hiring of new staff under the current dire financial situation.

Promotions – Community Pool vacancy in Head Lifeguard position due to his promotion to Pool Coordinator.

Cheshire Public Library (CPL) had family counselor hired for 8 hours a week; two CPL substitute clerks who work only in absence or regular clerks; hired Children's Librarian. Director Burkey had one position frozen and one eliminated; 2 people were lost at beginning of summer; CPL was down four people. Mr. Milone told her to go ahead and hire the one person.

As a follow-up to this information, Chairman Oris stated that no one should be hired who is not an essential employee. With CPL down four staff, this was an opportunity to leave it at that...not add one position back. Mr. Oris does not believe there are staffing complaints about CPL and deteriorating services to the public. He cautioned Mr. Milone that open positions should not be filled unless there is a public safety issue. A list of all the non-filled positions, assumed to be filled under the operating budget, was requested for Council to review and rethink.

Mr. Milone reviewed the vacancy information he has at this time.

Cheshire Police Department – four vacant police officer positions; one is position #49 that has not been funded; there is a frozen vacancy not funded and two patrol officer positions (officers who retired in June or July) at salaries of about \$68,000 each; this money has been set aside.

Mr. Oris commented on the importance of public safety and it being looked at a little differently than other departments. He asked if Chief Dryfe has cited an effect on public safety with these open positions.

In response, Mr. Milone reported that the effect is an increase in overtime costs; there are savings with these positions; there are no public safety issues, and until it becomes an issue CPD will ride with what is in place. Chief Dryfe has been told to hold off on filling positions until the town knows where it is going and what must be cut, and he has been totally cooperative in this regard. The cost of overtime is not as costly as hiring four officers. Savings is about \$135,000.

Community Pool – the Head Lifeguard was promoted to Pool Coordinator; the Head Lifeguard position is budgeted at \$35,000 and is frozen.

Cheshire Public Library – Clerk promoted to vacant position at salary of \$14,000.

Parks and Recreation – the Council approved a 19 hour per week Program Coordinator; the plan was not to fill this job until a new Director was hired; interviews are ongoing this week for the Director position.

There is about \$200,000 in vacant positions.

Vincent Masciana informed the Council that the BOE issued a memo to all principals and administrators that there is a 60% budget freeze on all non-payroll expenditures. This is in effect until further notice, and expenditures are not yet at 60%. There are 10 unfilled BOE positions – Curriculum Coordinator, Social Worker at Dodd Middle School, Guidance Counselor at CHS, Districtwide Elementary Tech Coach, five elementary teacher positions, and Science Teacher at CHS. The value of these positions is about \$700,000. Mr. Masciana noted there are impacts on education with this being done. There were also two positions from last year never filled. At this point the BOE does not plan to fill any of these positions, all of which were budgeted. Supt. Solan and the BOE took out one teacher from each elementary school 5<sup>th</sup> grade; class sizes were increased to about 25 or 26 students; and anything not required is being closely managed.

Regarding Instructional Assistant (I.A.) positions, Mr. Masciana said this is the largest group in number of employees, with a high turnover. When an I.A. resigns the position hours are reduced below 30 per week, while still providing educational services.

At the request of Mr. Oris to provide BOE and Town side savings to the Council, both Mr. Masciana and Mr. Milone will gather this information and inform the Council on all the savings within the operating budget. With only spending to the 60% level, no hires, freezing expenditures, etc. he asked...what are the savings?

Mr. Milone said he would come up with the 60% spending information, noting some program cuts would be at  $\frac{3}{4}$  and some at  $\frac{1}{4}$  cuts.

BOE Mandates List – Mr. Masciana noted the list of endless State mandates for BOE services to students. He cited student transportation costs of \$3.5M; special education beyond classroom services; new mandates such as enhanced transition services for special ed students ages 18-21, and cost implications with inter-day transportation at \$25,000 to \$30,000 per year for this service; pre-employment verifications and associated costs. Mr. Masciana stated that educating students in the State of Connecticut is mandated. With the State providing no funding it is violating this mandate of financial assistance and throwing the costs on the towns.

Chairman Oris commented on Mr. Milone's asking department heads for a revised department budget with benchmarks of cuts up to 10%. He noted that .50% or 1.50%, even on both sides, does not get anywhere the \$14M reduction reality. Mr. Oris asked about the BOE getting to 2%, 5%, 10%, and what it would mean in terms of curriculum. This would be good information for the Council...each side, BOE and Town at 10% cut of the operating budget...and what it means in terms of dollars and educational and public services.

It was stated by Mr. Masciana that the BOE making up \$5M over the next 9 months is difficult to do. This year, no matter how much is cut, it will have to be made up with reserve funds. The medical benefits account could be under-funded to get through this year, but it will not make up the \$14M.

Stating that if these cuts become an every year scenario, Mr. Oris said a supplemental tax bill to taxpayers does not fly with him, and he does not imagine it flies with other Councilors.

Mr. Slocum stated that with the Governor's cuts Cheshire is unhitched from the State and is on its own. This is the reality, and we must adjust, and go to the taxpayers. His hope is that this will all change with some action on a State budget.

It was pointed out by Mr. Ruocco that towns knew this was brewing for a long time, and \$14M is a big hit.

The Council was told by Mr. Masciana that the Town of Southington's \$20M ECS funding went to zero. But, he said the cities are whole...Meriden, Bridgeport, Hartford, Waterbury.

Mr. Milone said Council and staff must decide on a time certain for a progress report.

According to Mr. Slocum the date of October 13<sup>th</sup> is the mandated date from the Governor to the legislators.

The Council discussed holding another special meeting on the subject of the State budget, and it was decided it would be the week of October 16<sup>th</sup>, and it would include the Board of Education. Mr. Oris said this meeting must be held, with decisions made to move forward under difficult times.

Mr. Milone is worried after hearing how desperate the legislators are about coming up with a budget. It will be a budget with bobby-pins and holes. If Cheshire is lucky enough to get some of its funding restored, there could be another trap door opening in the following months with an idea falling through. There can be more significant cuts which are unpopular, or revenue which is taxes they do not want to do. There will be things which are fragile and tenuous.

It was stated by Mr. Oris that the Town and Council must be as efficient as possible, find more ways to generate revenue, and rely on ourselves rather than the State.

Mr. Milone informed the Council that all fees will be reviewed, revenue can be withheld from the State, and he will check with the Town Attorney on legalities. He noted there is a judge out there, who at some point in the next 120 days, is supposed to make a decision on the \$1.4M lawsuit.

#### Public Comments and Questions

William Keeley, 20 Harvest Court, talked about the trap door issue, the State looking at taxes, the PILOT grant, and what happens if the State decided to move out of Cheshire. This results in Cheshire losing population inclusions etc. and this being a real possibility.

Mr. Milone stated that there is a \$1.5M PILOT payment, sewer user charges of \$6,000 to \$7,000...and these would go away. There would be a bigger impact as Cheshire's census data will change and also affect the BOE. It will affect income levels going up and grant funds going down. There is lost revenue of \$1.5M; and loss of the payment stream to the WWTP, and the town will not see this coming back in any other way.

## **5. ADJOURNMENT**

MOTION by Mr. Talbot; seconded by Ms. Nichols.

MOVED to adjourn the special meeting at 8:22 p.m.

VOTE           The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk