

MINUTES OF THE JOINT CHESHIRE TOWN COUNCIL AND BUDGET COMMITTEE MEETING HELD ON WEDNESDAY, MARCH 14, 2018, AT 6:30 P.M. IN TOWN HALL, ROOM 207-209, 84 SOUTH MAIN STREET, CHESHIRE CT 06410.

Present

Budget Committee Chairman Timothy Slocum, and Jeffrey Falk.

Council Chairman Robert J. Oris, Jr.; Vice-Chairman Paul A. Bowman; Patti Flynn-Harris, Thomas Ruocco, Peter Talbot, David Veleber.

Absent: Sylvia Nichols

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Arnett Talbot, Assistant Town Manager; 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 FY 2018-2019 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.

Council Chairman Oris commented on the fact that the FY 2018-2019 will be the last operating budget under Town Manager Milone. On behalf of the Council and the Cheshire community, he expressed appreciation to Mr. Milone for his many years of hard work on town budgets.

For this meeting, the Council and staff referred to the summary budget book and the March 14, 2018 handout document.

Town Manager Milone reviewed his budget transmittal letter to the Town Council.

Page 1 – the proposed FY 2018-2019 Operating Budget totals \$111,802,832; this is an increase of \$3,174,183 from the FY 2017-2018 budget; it is an increase of 2.92%.

General Government – proposed budget of \$31,894,127; increase of \$1,208,549; 3.94%.

Education – proposed budget of \$72,108,781; increase of \$1,982,493; 2.83%.

The proposed budget increased by only 2.92%/\$3.174M, due to control of debt service and keeping this debt constant.

Page 9 – Debt Service Component. These are the resources used to defer the increase in debt service.

Page 97 – Debt Service \$6,574,924. The categories of debt service are defined; they make up the totality of the debt service.

Page 152 – Debt Service Analysis. Each of the reserves and other potential resources used to offset debt service are cited on this chart, showing resources in these reserve accounts. FY 2019 started with \$9,207,169 debt; \$1,182,696 will be used from the reserve fund (which had \$7.5M); this fund has been established over the last nine(9) years; all the debt is driven by the increase in the treatment plant upgrade; we are in the 2nd year of five (5) years using this reserve fund with \$1.182M programmed in; last year \$200,000 was programmed from the energy rebate money, along with \$200,000 from the WPCD fund balance. With the WPCD user fee rate adjustment to equalize rates between residential and commercial users, \$324,549 revenue is generated to be used exclusively for debt service. New revenue includes - \$200,000 from C.N.R.; \$525,000 from the D.O.C. settlement money; balance of money from the various reserve accounts will be spread out over the next four (4) years; and the revised net debt increase will be somewhat moderate and not have a spike. Mr. Milone wants to keep the \$1.1M C.N.R. intact, and to reduce it will make it difficult to build back up to \$1.1M.

Page 1 – Mr. Milone referred to information on the mill rate. To support the proposed General Fund Operating Budget of \$111,802,832, the proposed mill rate would be 33.19 mills, an increase of 1.25 mills, or 3.91%.

Mr. Milone informed the Council that the Town lost \$1.820M from the FY 2017-2018 budget. This FY 2018-2019 the Town will lose \$1.441M in State revenue. Over two fiscal years the Town lost \$3.261M in State aid. He read a sentence into the record... “The State has created an unprecedented climate of uncertainty and unreliability which constantly undermines our efforts to efficiently manage government operations.” It was noted by Mr. Milone that this revenue loss represents about a 1.25 mill loss in two years, which could have gone a long way to reduce taxes.

Page 11 – Revenue Section. Mr. Milone pointed out the significant revenue changes related to FY 2019 Revenue Increases and Revenue Decreases. He cited examples of the State increasing the ECS grant by \$2.149M; and eliminating the Special Education grant of \$3.399M. The Town is receiving \$736,700 in Municipal Revenue Sharing, and \$232,047 Municipal Stabilization Grant...yet with two years of MRSA being in effect, the State is eliminating this funding of \$855,170. On the part of the State there is a lack of cohesion, vision, and integration of effort, which makes no sense at all.

Page 100 – Revenue Budget Analysis & Trend Information. This page shows the four components of municipal revenue...Taxes, State Aid, Other, Fund Equity. In FY 2015, 78.8% of the operating budget was derived from property taxes; in FY 2019 it increases to 82.5%...an increase of 3.8%. State Aid in FY 2015 represented 16.5% of the Town’s

operating budget; in FY 2019 it represented 12.4%; this is a reduction of \$3.3M or 4.1% in State aid.

Page 1 – Mr. Milone referenced the information (last paragraph) on the Fund Balance and page 120 - Fund Balance Summary.

Page 120 – Fund Balance Summary. July 1, 2017 Fund balance - \$10,091,745, which is 9.47% of the operating budget.

Estimated revenue and expenditures FY 2017-2018 - revenues estimated to come in at \$320,000 over budget and expenditures \$1.175 under budget; estimated projected surplus of \$1,496,091. Total fund balance would be \$11,587M; recommendation of using \$800,000 of fund balance for FY 18-19 budget; projected fund balance July 1, 2018 of \$10,787,836 or 10.04% of the operating budget. This would be the highest fund balance and highest percentage of the operating budget for Cheshire. The policy requires keeping a fund balance minimum of 8%, and this leaves \$2.2M in excess of 8%. \$200,000 was used to mitigate debt service at the start of the current fiscal year.

Mr. Milone has tried to make this a maintenance budget, with exceptions being the Cheshire Police Department budget, which increased significantly more than other Town departments, and pension and medical benefit areas.

Page 2 - For this year the Town operated with a status quo budget. The BOE received a \$730,000 budget increase from last year to this year. They are only using \$247,000 because \$484,000 has been frozen. On the Town side, the budget went up by \$233,000, and \$103,000 has been used. As a result of this, the operations have been ongoing with the same expenditures. Mr. Milone cut \$1.8M from General Government requests, but to go deeper would impact services. With the BOE budget, Mr. Milone did not touch this budget, and it was referred to the Council with the same level received by the Town Manager.

Water Pollution Control Department (WPCD) – this budget increased because of the debt service being paid for the treatment plant, with payment from their fund balance. The treatment plant equipment is operating very efficiently and effectively, with savings on chemicals and utility costs.

Community Pool – this budget increased slightly due to some salary and non-salary increases. Pool subsidy is +\$69,588.

Tax Payment-Average Taxpayer at 33.19 Mills – For the average taxpayer, the total aggregated assessment for 2019 is \$233,074 (house and two cars). Total tax is \$7,736, an increase of \$291, or 3.91%.

Page 136 – Comparative Towns Data. This information comes from the State Fiscal Indicator Book, which shows Cheshire compared to 11 other similar towns.

Per Capita Taxes – Cheshire ranking is 10 (3rd lowest) at \$2,859; average is \$3,277.

Per Capita Expenditures – Cheshire spends \$3,843 per individual; average is \$3,995.

The Indicator Book also has statistics on equalized mill rates. Due to various times for property revaluation the comparison of Cheshire to Wallingford or Southington cannot be done. The State has a way to do this comparison by equalizing the grand list, and comes up with a factor to equalize the mill rate, which is an apples to apples comparison of one town to another. Cheshire is ranked 3rd lowest in terms of wealth; the town's equalizer mill rate is 20.04; the average is 22.06; and the Town's mill rate is about 2 mills under the average of peer towns.

In looking at the comparative data, Mr. Oris talked about Cheshire being #8 for equalized net grand list, on the low end. He said this is telling, and indicates Cheshire is not doing a good job to increase grand list.

Mr. Milone commented on the property tax as percent of the budget, and cited Cheshire at 74.0% with the average being 79.3%. This says that towns with higher grand lists are still imposing higher taxes on residents.

Mr. Oris stated the Town must figure out how to raise revenue without impacting tax payers, and must offset this with growth to the grand list.

In response to a request from Mr. Bowman for a full comparison chart of all Connecticut towns, Ms. Talbot will send a link for this information to the Council members.

March 14, 2018 Handout

Page 1 – Tax Payment Average Taxpayer. Mr. Jaskot reviewed this information.

For the average taxpayer, the total aggregated assessment for 2019 is \$233,074 (house and two cars). Total tax is \$7,736, an increase of \$291, 3.91% increase.

Mill Rate Comparison – the current mill rate and proposed mill rate with 0.1 mill increases from 31.94 to 32.19 mills. One mill value = \$2,735,601.

Page 2 – Proportionate Budget Revisions (based on total budget) – BOE Budget of \$72,108,781 or 69.33%; Town budget of \$31,894,127 or 30.67%. This excludes debt service, CNR contributions, and contingency. For each 1/10 mill the formula is shown for the Town and BOE.

Page 3 - Proportionate Budget Revisions (based on budget increase). BOE \$1,982,493, or 62.13%; Town \$1,208,549 or 37.87%. This excludes debt service, CNR contributions, and contingency. For each 1/10 mill the formula is shown for the Town and BOE.

Page 4 – Budgetary Trends. This information shows the last 20 years of proposed budgets vs. appropriated budgets. 2018 – the proposed budget has a 1.53 mill increase, with 4.19% tax increase. The Council adopted a mill rate increase of .75 mills or 2.74% tax increase.

Budget Summary Book, page 2 – 10 Year History Annual Tax Increase. Mr. Milone referred to this table which shows the average assessment for a house and two cars at \$236,401, and 2% average increase.

Page 3 – Mr. Milone commented on the Council request to isolate and segregate services and efficient way to define what the impacts might be. For clarity and objectivity in the Council's decision making process, the staff developed a series of decision packages.

Handout, Page 5 – Ms. Talbot reviewed the decision package to be used by each department/division. The goal is to identify the implications of actions taken on a specific program, service or fees. The formula includes a "Decision Unit, Costs, Number and identification of residents impacted, benefits of decision unit, and Impact of non-implementation or reduction or Elimination of funding". Each Town department will have these forms for review by the Council.

Mr. Milone cited a new program such as automated trash collection, or modification of programs, and better explanation of programs. Every position vacancy will have a form completed.

With regard to services and programs, Mr. Bowman asked about determination of Town services such as Social Services, Human Services and other services to the BOE. This determination should include costs for value of time, staff and money spent.

The Council was informed by Mr. Milone that the BOE submits Form ED001 to the State for in-kind services (i.e. Town services).

This is an annual form prepared by the BOE, and Mr. Jaskot said it summarizes all expenditures, funding services, in-kind services, and grant revenue. The form reports in-kind Town services (from audit fees to school resource officer) paid by the Town as a function to the school system.

Mr. Masciana, BOE COO, stated the ED001 report is filed annually, and he will share the report information with the Council.

These numbers are not included in the budget, and Mr. Jaskot said he maintains the information by department and charges.

Budget Summary Book Page 3 – Expenditures. The General Government increase is \$1,208,549 or 3.94% in four categories which make up 94% of the budget. Medical/life

Insurance, \$212,158; Pensions/Retirement Plans, \$264,107; Program Materials, \$58,557; Personnel Services, \$545,479.

Mr. Milone commented on the four or five bad claim months for medical benefits. In the past he has used more of the trust fund balance to offset the next year's increase. This is not being done this year; only \$150,000 was used this year; and this year no money will be used due to the risk of bad claims experience. The Town medical trust fund has a balance of \$1.3M; BOE balance is \$3M.

Town staff will be meeting soon with the insurance consultant. If expected claims drop, the consultant will state next year's claims experience will be less and the cost decreases. Mr. Milone explained that the Town is self-insured; the actuarial estimates are saying claims now costing \$1M will cost \$1.1M or \$1.2M. The trust fund can be used to offset the increase. There is no third-party insurance involved.

Pension/Retirement Plans – Mr. Milone reported assets are growing dramatically, about 13% in this calendar year; the Town is still paying some of the 2008 shortfall and there are enhancements to the plans. All the pension/retirement information will be coming to the Council. There is a cap on the Police Department pensions which is not factored in yet, and it will be seen in the next actuarial report.

Personnel Services – Mr. Milone talked about the CPD positions being totally funded, at \$240,000 (of the \$545,000), and overtime. The proposed budget fully funds the 48th and 49th CPD positions.

Handout, Page 6 – list of current unfilled positions in the FY 18-19 proposed budget, all funded for 12 months.

Mr. Milone informed the Council that Town Engineer Walter Gancarz (P.E.) plans to retire, but will remain for a short period of time to work 20 hours per month due to retirement of Supt. Dievert at the WWTP. The Town Engineer (P.E.) position will be posted and funded at \$105,000 annually. Under the Town Charter, the Town must have a Professional Engineer (P.E.). PW Director Noewatne is not a professional engineer. In light of this issue, Attorney Smith is checking the Charter and statutes to determine if the Town can have a contractual professional engineer.

Budget Book, Page 5 – Mr. Milone reviewed the Public Safety section of the budget. Total increase of \$264,321 or 3.76%. Key increases in the Police Department - \$222,903; Fire Department increase of \$27,373.

Cheshire Police Department – Mr. Milone explained the five (5) vacant positions at CPD. The department started the year with one frozen/vacant position; two young officers retired in July 2017; there is one disability retirement and another retirement as of March 31st. Two of the five vacancies are about to be filled. The request before the Budget Committee was to fill the third position (3/31/18 retirement), and funding of the

48th and 49th officers. With funding of the 49th police officer, Chief Dryfe has made it clear he would assign this office to Dodd Middle School. The Chief is talking about the possibility of having a “roving police officer” in all the schools all the time. This officer would visit a school 2 or 3 times a day. There are no resources to put an officer full time in every school, and the hope and intention is to have an officer visit schools a few times a day, become familiar with the school plant, staff and students. With full funding of overtime and the vacant CPD positions, this program can be started. Chief Dryfe will further discuss this program with the Council.

Chairman Oris supports something more for police presence in the schools, whether it be the 48th officer as School Resource Officer or #49 as SRO. Mr. Oris stated there must be a comprehensive discussion about school safety, and this is not just a BOE issue and will have a budget impact. He questioned officer #48 as the SRO officer and waiting for #49.

According to Mr. Milone, he supports having two additional police officers for flexibility of police presence at the other schools more regularly. Mr. Milone commented on an article by a local reporter who indicated the additional police officers are due to high crime problems in Cheshire. He made it clear that Cheshire’s crime statistics rate has the Town as one of the safest communities in Connecticut. The reason for supporting more police officers is due to the public’s concern about school safety.

Regarding the “Dispatch Department” at CPD, Mr. Milone said there are some problems, with officers in the dispatch area to fill the void. This keeps officers off the street and in a job for which they are overpaid. Mr. Milone will explain to the Council what this is doing in terms of keeping manpower off the street and the adequacy of handling emergency communications.

Fire Department – Mr. Milone requested a 50 cent increase in “pay for call” for CFD firefighters. This would increase the call rate to \$5.50, and it has not been increased since January 2013.

Regarding the \$222,903 increase in the CPD, Mr. Veleber asked if this is two extra officers.

Mr. Milone explained the two extra officers have a cost of \$115,000 to \$120,000, and \$25,000 overtime duty added. This is the first year of the new CPD contract, and five senior police officer positions are being created. The \$222,903 increase will be defined by line item during the CPD budget process. The cost of a Dispatcher is \$45,000 without benefits.

Page 6 – Public Works Department. Total budget increase of \$125,414, 1.97%; key increases in salary accounts \$78,515; contractual services \$50,904; program material \$50,000 (snow and ice).

Mr. Milone referred to the \$80,000 cost to rebuild one of the older dump truck bodies, and noting this work has to be done outside the Town. In the “excavation fee” account there is \$180,000, and the cost of rebuilding the truck could come from this account. The dump truck to be rebuilt is one that would have been replaced with a new truck.

The Council was told by Mr. Milone that the PW Department reorganization has worked out well with Highway and Parks Maintainers operating more effectively and efficiently. The parks maintenance has been better, quality of service has been improved, and crews work well together.

Page 7 - Social Services – Total increase of \$13,152, 1.49%; salary accounts \$16,610. Mr. Milone commented on the department needs not being diminished; program services and youth counseling has not decreased; and there could be a need for more resources in light of mental health issues. The State is cutting program revenue, reducing grants, and the opioid crisis and school security is taking more staff time. Mr. Milone noted this is all relative to the integration of meeting the needs of the school system and security, and if everything that should be done is being done.

Senior population in Cheshire has grown from 2015 at 4,552 or 15.9% to 6,404, 21.9% in 2019, with the need for more expanded services from Social Services Department to this population.

Page 7 - Cultural Services – total budget increase of \$97,169 or 5.00%; key increases in the Library Salary Account \$80,794 and Equipment \$4,500. Fine Arts Program Services \$5,937. The Cheshire Public Library part-time Clerk position was approved by the Budget Committee.

Cheshire Performing and Fine Arts – CPFA continues to bring in revenue from its programs. Revenue increased to \$122,148 in this fiscal year, which is +\$28,764. Fine Arts and the Library complement each other with creativity, events and functions, coordination to facilitate programs, and enhanced management skills.

Community Pool – the subsidy will be +\$69,588; revenue is not coming in as anticipated; the bleachers will be installed next month. Ms. Adams and Mr. Medeiros have begun creative marketing, i.e. the Easter egg hunt in the pool for people of all ages. Ms. Adams hopes to have a slide for the pool, outdoor volleyball court, and other amenities.

Mr. Medeiros has been working on securing sponsorships for the summer concerts, and has one sponsorship in place. With regard to the Theater Program, Mr. Milone reported that it was time consuming and very costly. Elim Park has offered to take over the program and privatize it.

Page 107 Summary Book – Revenue. Mr. Jaskot reviewed the revenue section of the budget.

Property Taxes - +\$4M revenue increase with 1.25% mill rate increase and new grand list amount.

Tax Collection Rate – has been set a 99.2%; FY 2017 collection rate was 99.78%.
1/10% increase = \$88,000 in revenue.

Tax Lien Sale – Mr. Bowman asked how a company bids on this lien sale. He commented on the tax revenue numbers indicating people in Cheshire pay their taxes. The reality is that properties are being lost with tax delinquencies.

Mr. Jaskot said the delinquent list this year is about \$400,000, and some of this money will be collected before going to the lien sale. Smaller taxes, i.e. motor vehicles, are on the suspense list and most of these taxes are collected.

It was noted by Mr. Talbot that in the Comparative Town Chart, there are 8 towns below 99.2% tax collection rate. He is not in favor of increasing Cheshire's tax collection rate.

Mr. Veleber stated some of the 99.2% rate is coming from the tax lien sale money that is coming into the Town.

The Tax Department is on top of the taxes due and Mr. Jaskot said the department sends letters, makes phone calls and other contacts with taxpayers.

According to Mr. Milone the tax lien threat makes people realize a lien will be placed on their property.

Page 109 - PILOT revenue – Mr. Jaskot pointed out the decreases in this revenue, and cited \$374,000 reduction in the State Property PILOT program. The elderly circuit breaker program had a \$149,000 decrease when the State discontinued its funding of their portion of this program. The towns must continue the program and undertake its full funding along with local elderly tax benefits.

Mr. Milone reported that the State PILOT is now down to 27.04% funding...the town is reimbursed 27 cents on the \$1.00 when it should be reimbursed, by statute, \$1.00 on the \$1.00. If this funding were in place it would generate \$4.8M in revenue to Cheshire. He informed the Council that the City of New Haven is suing the State because its pilot program is underfunded. Cheshire Academy pays the Town \$1,000 annually, and there is a written document which defines this payment. The Housing Authority payment is based on a State statute through a formula grant.

Page 111-Town Department Revenues

Building Official - there are a two large projects (Marbridge and the Medical Building) which will generate building permit fee revenue. It could be up to \$140,000.

Cheshire Police Department – revenue of \$40,000 expected to be generated for the police cars on special duty assignments.

Fine Arts - \$115,000 in revenue is estimated for next fiscal year.

Page 113 – Grants.

Miscellaneous Town Grants – Performance Contract Rebate included in the budget at \$327,129. Council will decide to use all, part or none of these funds.

Investment Income – Mr. Jaskot reported revenue of \$480,000 in FY 2017, and estimate of \$850,000 in FY 18-19.

Municipal Revenue Sharing Bond Dist. – budgeted at \$736,700. The Town received ½ of the Town Aid Roads grant.

LoCIP grant application is completed; it will be \$5,000 more than last year.

In looking at the grants, Mr. Milone talked about the Municipal Revenue Sharing program adopted by the Governor in 2017 at \$736,700. It was not appropriated in 2018. The Governor then decides to give it in 2018, and keeps it in. He gives MRSA at \$594,084 going up to \$855,170, and then decides not to fund this any longer, and the Town loses that funding. These grants are similar in nature, and Mr. Milone said he cannot figure out what the rationale was for this decision.

Page 115 - Education Grants – Mr. Jaskot reviewed these grants. Last year the Governor did not fund the Special Education component of the ECS grant. The education grants are down \$792,735.

Page 117-Miscellaneous Education - the BOE tuition revenue is up \$30,000 for FY 2019. BOE has a new program, Smart Start.

General Equity – last year \$800,000 was used plus an additional \$200,000 for debt service. The Council will make the decision on this funding for the next fiscal year.

Budget Summary Book Page 14 – Goals and Opportunities. Mr. Milone believes these are consistent with what the Council wants.

Page 15 – Grand List. Mr. Milone re-emphasized the importance of the Grand List growth.

Page 18 – Five Year Projections. Mr. Milone stated the assumption is .66 or .67 growth in the Grand List. This information illustrates the widening gap between revenue and expenditures going forward. It is conservative, but reinforces the importance of doing

everything possible to grow the Grand List. Mr. Milone commented on the Town being lucky to hold State aid constant for the next two years.

Page 19 – Multi-Year Budget Comparison. The ten years of growth is shown based on mill rate growth, and is not dollar based on the amount of money paid by the average taxpayer.

Under all the revenue sources, Mr. Milone said the reason the reductions are not worse is because some of the State monies are offset by growth in the Town's revenue, such as investment growth by \$600,000.

Pages 44 and 45 – this is where all the Town departments are located. The information shows what was spent in FY 2017, what is estimated for FY 2018, and recommendations for FY 2019. The information reflects the dollar and percentage increase for each department.

Page 46 – Major Objects of Expenditures. The budget was taken and looked at by type of service, and it can be seen where the money is allocated by type of expense.

Revised Budget Meeting Schedule Ms. Talbot reviewed the changes.

- Public Hearing on the proposed operating budget is set for Tuesday, March 20, 2018, 7:00 p.m. and will be followed by the regular March meeting.
- Employee Benefits will be on the agenda of the budget meeting of March 26th.
- Education will be on the agenda of the budget meeting of April 3rd.
- Town Clerk will be on the agenda of the April 5th budget meeting.
- Public Works will be on the agenda of the April 5th budget meeting.

4. ADJOURNMENT

MOTION by Ms. Flynn-Harris; seconded by Mr. Bowman.

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

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Secretary