

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON THURSDAY, AUGUST 11, 2011 IN ROOM 207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Budget Committee Chairman David Schrumm; Committee Members Michael Ecke and Thomas Ruocco. Council Members: Tim Slocum, Stephen Carroll, Patti Flynn-Harris, Andrew Falvey, Sylvia Nichols, James Sima.

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Police Chief Neil Dryfe; Richard Kaczer, Fleet Manager.

Guest: Dan Grasso.

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. DISCUSSIONS RE: FISCAL YEAR 2011-2012 FIVE YEAR CAPITAL EXPENDITURE PLAN AND ANNUAL CAPITAL EXPENDITURE BUDGET.

Page 31 – General Services. Vehicle/Equipment Replacement Fund \$245,000 FY 2011-12. Richard Kaczer, Fleet Manager

Mr. Milone explained that a new program was started in FY 10-11 budget with a vehicle/equipment replacement fund, because the operating budget cannot support the ongoing vehicle replacement needs. The replacement is funded through CNR. All rolling stock is aggregated in this fund. The request in the FY 11-12 CEP represents the recommendations for replacement vehicles for the Fire Department, Police Department, Parks and Rec Department, and Public Works Department. When replacement of vehicles is deferred, Mr. Milone said it aggregates more vehicle acquisition in future years.

Page 32 – Fire Department, \$30,000 in FY 2011-12. The Fire Department wants to replace two older vehicles in its fleet – the 2000 Ford Crown Victoria (102,000 miles) and the 1998 Chevy Blazer (126,627 miles). An inventory of the Fire Department fleet was introduced into the record. Mr. Milone stated that, if necessary, the Crown Victoria could run for another year, but there is an urgency to get the Blazer off the road.

Pages 33/34 – Parks and Rec Department; FY 2011-12, \$32,000. The infield groomer is +20 years old and needs to be replaced to groom the fields, with an estimated cost of \$21,000; the Gravely Tractor and snow blower attachment is 20+ years old, and will be used for snow plowing responsibilities of the department; estimated cost is \$10,300.

Page 35 – Police Department; FY 2011-12, \$123,000, for marked and unmarked vehicles, and the aggregate amounts for the five years of the CEP. Mr. Milone reported that Ford Motor Company is coming out with a new police package. The question is when this package comes out, and whether the Town wants to be the first in with a new police vehicle. The department vehicle replacement plan is to replace the vehicles with the highest mileage each year.

An inventory of the Police Department fleet, as of August 2011, was introduced into the record. Chief Dryfe stated that a five year replacement plan was laid out by former Chief Cruess, and he used this as a blueprint for the vehicle replacement plan.

The Council was informed by Chief Dryfe that this is the last year for the Ford Crown Victoria cruiser to be manufactured. Ford is introducing a new vehicle built for the police market, called the Police Interceptor, built on the Taurus platform. The pricing and availability of delivery for the new vehicle is unknown at this time. Crowley Ford has vehicles available for the Police Department to move forward with two new vehicle purchases this year.

Regarding mileage on the inventory plan, Chief Dryfe said it is holding up per the plan from Chief Cruess. In order to extend one of the SUV's, 2008 Ford Expeditions, one has over 100,000 miles and the other has about 40,000 miles. One vehicle is assigned to the Traffic Division since 2008, and the other is assigned to the Patrol Division, and this vehicle goes 24 hours a day, 7 days a week. To offset this, there has been a switch of the vehicles, with the higher mileage SUV going to the Traffic Division where it will get less use, and the lower mileage SUV going to the Patrol Division.

Chief Dryfe said the plan for this year called for replacement of 3 marked cruisers and 2 unmarked cars, and this may be changed to 4 marked cruisers and 1 unmarked, depending on the mileage build up in recent months. The prices are estimates, as the cost of the new Ford vehicle is unknown. The conversion costs are built into the prices, at an average of \$3,000 per vehicle. Chief Dryfe stated that all gift account money is accounted for with the CAD and technology upgrade. The budget for vehicle replacement for FY 2011-12 is \$123,000; marked cruisers are \$27,000 each, and unmarked cars are \$21,000 each.

With regard to cycling the cars from the Police Department fleet outside the department, Mr. Kaczer advised that cars have never been rotated to the Fire Marshal's office. Cars have been cycled for volunteers and as an on-duty weekend car. The Assistant Fire Chief uses one of these cars. Police cars have never been cycled into other departments. The Town has one hybrid car used by various departments.

Mr. Schrumm commented on these cars still having some value and said they should be used.

According to Mr. Kaczer the PW Department has had police cars recycled to its fleet, and the Fire Department has a 2000 vehicle which should be replaced. The vehicles have value to other departments, but the Fire Marshal's office is not the place to put a police vehicle. Vehicles have been auctioned off with more money received than with a trade-in of the cars. The money generated does not go back to the department from which the vehicle came.

Mr. Jaskot advised that this money goes into miscellaneous revenue, into the General Fund, and ends up in surplus.

Chief Dryfe reported that a trade in from Crowley on an unmarked car was \$300, and at auction the car sold for \$3,000. He also explained that most police cars are now black and white, post 9/11, as these cars are more visible than other colors. The Town is awaiting asset forfeiture money from the State, and has a Jeep Cherokee with over 200,000 miles on it from the State forfeiture program which is still in service.

Mr. Kaczer advised that the police department fleet is a big part of the maintenance work at the garage. He addressed the mileage concerns being raised, and said these cars are beat, and sit at accident scenes for hours which is not reflected in the mileage. Regarding the two hybrid vehicles, (Silverado and Honda) Mr. Kaczer sees no savings with these cars.

Chief Dryfe commented on how impressed he is with the Captain and Patrol Captain being on top of the department fleet. When the mileage goes up on a car, the keys are taken, the car is parked for a week, so the cars are not driven into the ground. When cars are out on the road, they are running, there is stop and go, back to the station for paperwork with the engine running. With the new CAD system, officers will be able to write their reports on laptops in the vehicle rather than driving to headquarters, but the cars will be running.

Of all the vehicles in the Town fleet, Mr. Schrumm asked if any are not getting used and if they could be sold at auction for \$3,000 to \$5,000 each.

Mr. Kaczer replied that this does not relate to vehicles, but more to equipment that is not being used.

Regarding the PW Dump Truck tandem axle vehicle being requested, Mr. Sima asked about the difference between this and a regular single axle dump truck and the towing capacity.

In response, Mr. Kaczer said the Town has lost its ability to tow its excavator, and must hire someone to do this. The tandem comes into play when moving material.

Public Works Department Vehicles – page 37, \$300,000 in FY 2011-12 and \$80,000 in FY 2012-13.

Mr. Kaczer stated that the Director's vehicle, 1989 Blazer with +150,000 miles needs to be replaced, and a Town Building Pickup w/utility body, \$45,000, and a Town Building Van, \$35,000 need to be replaced. His recommendation is to replace the Blazer, which has cost over \$1,500 in repairs this year, and is rusty underneath. His recommendation is to replace the Blazer with a Ford Escape, a smaller vehicle with better gas mileage. For the WPCA the recommendation is to replace the Superintendent's vehicle (Ford Expedition with +150,000 miles), because keeping this vehicle will cost \$1,500 in repairs very soon. This vehicle is rotted to the point of holes in the fire wall. Replacement SUV will cost \$30,000. Mr. Kaczer stated that replacing vehicles of department heads responsible for being available whenever needed, calls for a 4-wheel drive for all weather driving. He also noted that many of these vehicles carry equipment needed for the department head.

Mr. Ruocco asked about purchasing these vehicles new, and why they are not purchased as one year old vehicles.

This has been looked into before along with left overs, and Mr. Kaczer said the problem is that money must be appropriated first, and then look for the cars. There have been used vehicles purchased for the Detective Division. Problems with purchasing used vehicles for the Police Department is that we are not buying police packages, and the department prefers that any vehicle purchased be able to respond as a police car.

With State bidding, the Town will pay \$22,000 for the Ford Escape, and the Town cannot purchase a used for that price. There are 6 take home vehicles in the Town fleet. The SUV's do not have plows on them. Mr. Kaczer advised that the Town cannot beat the State bid prices. The Town will be going back to gas for most of the trucks due to many problems with diesel fuel.

### DEBT ANALYSIS

Mr. Milone introduced Dan Grasso, who interned in Town Hall, and worked on the debt analysis. Mr. Grasso is now an assistant in the Plainville CT Town Manager's Office.

Schedule 1 – Mr. Jaskot reviewed the General Fund Five Year Expenditure Plan, FY 2012 to 2016. Column #1 shows the projected CNR appropriations for the next 5 years; column #2 is the total capital budget; column #3 is what is being applied from CNR to offset all of the projects to be appropriated in the five year plan; column #4 is the grants and gift sources; column #5 is the net long term borrowing requirements.

Mr. Jaskot said in FY 2012 only \$558,000 is applied for CNR; the balance of this year's contribution would be put in reserve and not be earmarked for any specific project. Of the \$8 million in FY 2012, there is inclusion of the 25% of the State funding, or \$7.5 million. Funding from the Clean Water Fund is not a viable option in the near future.

Schedule 2 – General Fund. FY 2012-2022. For FY 2012 the existing bonded debt total is \$8.9 million, without any projects going forward; this is what the Town would have to pay down over the next 10 years.

Column #2 – unissued debt for existing CEP; this is for projects already approved in prior CEP budgets, which are not yet bonded, but have appropriations for bond authorization, and will be bonded over the next few years.

Mr. Milone commented on cash needs being different from the appropriation. The Town does not want to bond \$5 million and pay the debt on money not needed or being used. The Town only borrows as needed.

Column #3 – shows new projected debt FY 2014 through 2022; 5% interest is assumed on all debt.

Column #4 – shows the costs for the WPCD upgrade; the debt is \$22.5 million, net of the \$7.5 million grant.

Mr. Milone advised that he has spoken to an OPM Under Secretary about the urgency for support of the plant upgrade. Other prison towns have agreements with the State, and recognize that the State participate in the costs for a treatment plant upgrade and expansion. Cheshire is asking only for what other Towns have. He has requested OPM respond to Cheshire early next week with an answer, guidance and direction from the State. The State's methodology is it will participate based on the effluent from the prison, based on a percentage of the total upgrade. If Mr. Milone does not hear from OPM on Monday, he will be calling OPM on Tuesday. When the plant upgrade project goes to referendum, the Town can qualify its representation of the \$7.5 million from OPM.

It was pointed out by Mr. Jaskot that \$8.9 million is budgeted for FY 2012 in the General Fund Debt Service. In foot note #5, it states the debt is a little more than that number; the Town was using \$231,222 from the debt service reserve fund, and another \$89,000 of additional monies. Gross debt is about \$9.2 million, with \$8.9 million budgeted.

From the base year 2012 and going forward it shows every fiscal year's projected debt service going up, with the exception of 2013 (\$608,295). Interest rate assumption is 5%; with the last few bond issues at a lower interest rate.

General Fund Debt Total – is the total of columns 1, 2, 3 4; any variations in terms of delaying projects will change these numbers.

On page 8 of the debt analysis handout is the amortization schedule for every \$1 million in bond issue; there is a set about to be paid every year.

There is one challenge in how to use the debt service reserve, which has \$4,335,000 available, and Town Council guidance is needed over the next five years on how to use this money. There are three options. Mr. Milone said if the Council does nothing, but uses the debt service reserve to pay the increases in debt service over the next 5 years, the money will run out in 2016-17. At that point debt service would have to go up by \$427,000. Looking at debt service for 2018, it is \$10.7 million. Because of using the debt service reserve to mitigate these increases, we are going from a base of \$8.3 million to \$10.7 million in that year, and this is the danger in not stepping up the debt service, gradually, each year over the next five years. Mr. Milone's recommendation is to continually step up debt service reserve, and continue to put \$600,000 into debt service reserve. This would increase the start of the debt service reserve to \$4.9 million. With \$250,000 added each year over the next five years, it builds up \$1,250,000 in addition to the \$4.9 million. By doing this, when the Town gets to the point of having exhausted the reserve, the difference between where the debt service is and where new debt service amount will be, is not over \$2 million, but a delta of about \$500,000 to \$600,000.

The debt projections shown assume the \$7.5 million from the State.

Page 4 – Grants and Other Funding Sources. The \$7.5 million is depicted in 2012 for the WWTP project.

Mr. Schrumm commented on assumptions such as the North End Firehouse, and the \$1 million fire truck being out there. When decisions are made on these projects in the five year plan, the debt service increases by \$2.5 million or more. He commented on the three sources of funding in Town – State Aid, growth in the grand list, and taxpayers dollars. We have to assume State aid is not going anywhere and the grand list is not growing as much as in past years. In the last budget cycle, the debt service went down, and now it will be increasing.

There was a discussion about doing the numbers backwards for debt service increases which could take up everything. Mr. Schrumm assumed debt service of \$3.2 million, spread out over 8 years, \$500,000+ each year to get over the hump. Then go back and look at how much new debt the Town can take on to keep the number net of the surplus money.

Mr. Milone explained that you start with a targeted number which cannot be exceeded.

In reviewing the BOE numbers in the CEP, Mr. Schrumm said the Council can tell the BOE how much money they can have, and they decide what to do with it.

This is done with the pre-planning for the operating budget and Mr. Milone said the Council gives him the limit number; he then works back from it, and departments must live within a number and prioritize. This would be the same for the BOE, by giving them a number, i.e. \$12.5 million spread out over 5 years.

Waste Water Treatment Plant. Mr. Milone said that other things have been whittled down, i.e. the Linear Trail, and \$32.5 million for the plant upgrade in one year is the elephant in the room. He commented on whittling down this project as well. Mr. Milone believes the Town should delay the phosphorous portion of this project as long as possible, noting that the cost of this is \$4 to \$6 million. We do not know what the guidelines are, and if Cheshire was not doing the upgrade, the phosphorous removal would not even be discussed. This could come back in 3 years with the State telling the Town what it is expected to do. Cheshire is doing the phosphorus removal because the upgrade is on the table, and this removal is being rolled into the project. This is \$4 to \$6 million never even discussed without the upgrade, and Mr. Milone thinks it should be kicked out of the project, as it is choking the project and killing where the Town is going with this budget. The phosphorous removal is not a mandate.

Mr. Schrumm suggested that Cheshire get together with Meriden, Southington, Wallingford and other towns and tell DEP the phosphorous removal will not be done. He believes Cheshire could still get into the clean water pipeline down the road, but could tell DEP it does not want the \$7.5 million.

The State has no clear guidelines on what must be done regarding phosphorous removal, and Mr. Milone said that Cheshire is proceeding with a plan. The Town should wait a few years on this project.

Cheshire could take the risk and say it will not do the phosphorous removal, and Mr. Schrumm does not think DEP would pull the Town's permit and shut off the sewer system.

Mr. Carroll stated he has a problem with doing the entire upgrade at once even with economies of scale. He noted that Cheshire has one of the cleanest, well operated plants, and is a model to be followed. The question is whether this means \$30 million of new pieces in 2 years, or might \$10 million be done in 2 years and then spread the project out another few years. Mr. Carroll believes this plant project could be subdivided into smaller entities to get the project done.

Mr. Sima said that the issue is running into larger operating costs.

Page 6 – Projection of Borrowing Needs. This schedule shows an appropriation divided up into an actual bond sale. Mr. Jaskot explained that the top section of the schedule is the projected borrowing for the five year CEP FY 2012-2016. In FY 2012, the \$6.146 million does not include the \$22.5 million borrowing for the treatment plant upgrade. For FY 2012, the Town will have to borrow \$9.2 million in February 2013. With the good fund balance the Town bonds every other year.

Mr. Milone stated that the Town could borrow bond anticipation notes in the market for a few weeks up to 9 months and just pay the interest. This is used as a gap or bridge until the market comes down and the Town is ready to go back into the bond market.

At the next bond issue, Mr. Jaskot said the Town would have to borrow the full amount. The Town is now borrowing more in advance based on project needs.

In 2012 the Town will need \$6.146 million and Mr. Milone said this is being approved in August 2011, but the money is not borrowed until February 2013, when all the money is needed. Every other year the Town borrows the full amount because it is carrying the projects 16 months before having the cash. The projected borrowing for existing projects is \$9.1 million, less grants and other funding sources.

A number of projects are being paid by the WPCA for Inflow & infiltration, Pump Stations construction, WWTP upgrade design, denitrification facility, totaling \$2.1 million.

Sewer Plant Upgrade – this project has a 3 year duration, bonded at \$11.5 million in February 2013 and \$11.5 million in February 2015. Based on the interest rates at that time, there could be an interim bond sale. The total borrowing for February 2013 bond sale would be \$28.5 million; and February 2015 bond sale would be \$31.5 million.

Mr. Milone said the key is what to do with the borrowings for the treatment plant. There could be consideration of annual sales, in the short term, to spread out the borrowing costs associated with the plant upgrade. The interest rate assumption is 5%, and arbitrage could be pushed on this money because the Town is not getting interest on the money.

With regard to the treatment plant upgrade, Ms. Flynn-Harris asked if the Council has asked the WPCA about breaking down this project.

This has been debated for 3 years and Mr. Schrumm said we are 4 to 5 months behind the curve in getting a better definition on the price of the project. The WPCA must go into referendum with the full price of the project.

Mr. Flynn-Harris commented on presentations on the whole plant upgrade project and never hearing the possibility the whole project could be staged, with the dollar figure. It was always a one time project.

It will take the contractor 2 years to complete this project and Mr. Schrumm said payments will be spread out over time. He said the other piece to this suggests that the price will not end up at \$32.5 million. Three years out when the Town is figuring out how much it has to borrow, in retrospect, it could only be \$28 million, and \$7.5 million from the State. The project would then be \$21 million. All the value engineering has not been completed yet, and there will be savings there, without guarantees. AECOM and the WPCA are convinced that unless the economy changes, the bids will be more attractive than expected.

Mr. Milone stated that the Town Council is making the most important capital decision in over 20 years for the Town, and we are imposing a very unrealistic deadline on a decision which will have unbelievable implications. He asked why this decision can't be delayed, and a referendum held at another time when everyone is completely comfortable with the number. At this time the Council is being forced to make a decision in a week and a half on something that we would like to take 6 months to decide, to get it on the ballot in November. There is no reason why the Council could not do a special appropriation. The risk with that is going to a special referendum knowing there are consequences because it is not part of the regular November election. And, the people coming out for special referendum are those in opposition. This is a very important decision, and Mr. Milone said we are being rushed to judgment on it in 10 days, when there are so many loose ends. In 6 months we will have a higher level of comfort, specific and hard numbers from the State, discussions with the WPCA whittling away numbers, and discussions about phosphorus with the DEP.

Stating he has problems with waiting 6 months for another \$2 to \$3 million difference in the price, Mr. Schrumm said he has attended 6 months of WPCA meetings, listened to all the analysis and information. He claims we will not be that much smarter in 6 months on this project, and the price could be shared by \$1 million to \$1.5 million. The WPCA is sensitive to the fact of not wanting to come back in 2 years with new bids and additional funding with a special referendum. Mr. Schrumm questioned the difference in the final analysis, as the project will cost what it will cost, and this is what must be borrowed. He guesses the number will be \$28 million.

Mr. Milone said the difference is going forward with a higher level of comfort, having more information including what the State will fund. Now, we are going to a referendum with uncertainty, and we should wait for more firm numbers.

It was stated by Mr. Carroll that the number will be the biggest every in a single year, and he is uncomfortable with the \$30 million number. There are several unknowns with this project, and within a short span we are doing a capital budget for a large number. He does not know the answers to questions about breaking up the project over an extended period of time. With more information, Mr. Carroll said everyone may be comfortable and wiser about the project.

From a public relations point of view, Mr. Slocum said breaking out the project would be laborious, and he does not support the phosphorous portion of the project. The number for this piece should be reduced to a more manageable component of the total price. He does not think phasing the project will be the way to go.

It was suggested by Mr. Schrumm that the Council meet, again, with the WPCA on the treatment plant project.

Regarding the phosphorous portion of the project, Mr. Milone is not saying...don't do it...just delay doing it. WPCA has concerns about it costing more because of economies of scale in it all being done at once.

As a Councilor, Ms. Nichols said she needs to be very clear on everything when discussing the plant upgrade with citizens. If there is a sole referendum, Ms. Nichols stated that the Council must be clear on all pieces of this project. She concurs with Mr. Milone about being rushed to make a decision. Ms. Nichols would be more comfortable having more information, and she sees no problem in delaying the treatment plant project.

Mr. Milone noted that the Council can have a referendum at any time, and the CEP decision can be made in November.

Ms. Flynn-Harris commented on the issue of having a public hearing on large items during the month of August when many people are on vacation. She does not believe the Council has done a good job of communicating to the public how big this project really is.

Mr. Schrumm advised that the WPCA is conducting tours of the treatment plant.

Mr. Slocum said the project could go to referendum and be rejected. He commented on Cheshire being one of the first towns with the denitrification project, receiving 30% of the cost from the State. The question with the treatment plant upgrade is whether the Town will get Clean Water Fund money in addition to the OPM money. This is an unknown.

If the project were rejected this year, Mr. Milone noted that this project is not mandated or statutorily imposed on the Town. The plan for the upgrade has been filed with the State.

With filing the plan, Mr. Schrumm said the DEP can mandate the upgrade, and could take away the Town's permit.

Ms. Flynn-Harris discussed taking on part of the upgrade to repair the failing plant at a cost of less than \$30 million, and to hold off the remainder of the work for 3 years. She used the roof projects as an analogy, in that failing parts of roofs were fixed to hold off replacing the roof to a later date. Ms. Flynn-Harris said she would hate to have this project fail at referendum, because there is a need to have the work done. This would be wrong because there is work that needs to be done at the plant.

The process must be discussed with the WPCA, and Mr. Sima said that the DEP gave money to large cities even though these cities continue to dispose raw sewage into the rivers. This gives Cheshire a good case to state its phosphorous levels are very low, and he does not believe the State will "scold" the Town.

Mr. Carroll commented on the fact that there are many components to this project.

Following the discussion about the treatment plant project, the Council made the decision to meet with the WPCA before August 23<sup>rd</sup>.

Page 7 – Proposed Borrowing De-Authorizations. Mr. Jaskot reviewed these projections with department heads regarding the status of their projects listed. Most of the de-authorizations are bond authorized, and the proposed de-authorizations total \$2,142,044.

Mixville Pump Station construction - \$400,000. This is a WPCD paid project.

Linear Park Expansion – the de-authorization of \$715,000 is to take the Dalton piece out of this project because the State is doing this phase of the project. The money could be used to repave the trail.

In 1999 the Council appropriated \$800,000 for the extension of the Linear Trail from Cornwall to West Main, and not the Town will not do this section, and it is being removed. The authorization to borrow has always been there as the Town will not do this section of the Trail.

Mr. Sima said there is another piece of roof to be done at the high school, which is \$300,000.

Page 3 of the handout is the summary of projects to be paid with CNR funds, and these are usually smaller projects.

In 2012, the CNR allocation is \$558,000; the total available funds are \$793,438; the projected CNR balance will be \$235,436. The CNR money has not yet been allocated. In 2012 CNR will fund the Revaluation at \$313,000, and Vehicle Replacement Fund at \$245,000. Under Available Funds there is \$50,000 in interest; \$1.1 million in CNR appropriation; Prior Year CNR appropriation balance, \$185,436.

On page 3, it shows that Mr. Jaskot cleaned out all of the existing capital projects paid out of CNR which are completed. There is \$793,000 which has not been allocated in any way.

Page 5 details what is expected to be bonded, less grants and funding sources, \$37,445,000.

Mr. Schrumm discussed decreasing the CNR appropriation over the next few years to \$1.1 million.

Regarding a conditional referendum, Mr. Milone said this can be done, with parameters established by the Council and reviewed by the Town Attorney. If anticipated grants are not received, the project cannot go forward. The resolution

could be written in 2 ways to give the Council authority if the project is short by a few thousand dollars. Nothing more is required to be borrowed to go forward, the contract could be renegotiated as long as the bond amount does not exceed the referendum number.

Ms. Flynn-Harris stated that the Town should find out from DOT where the funding stands for the Linear Trail, because this money could be held off for a few years from the State.

#### 4. ADJOURNMENT

MOTION by Ms. Nichols; seconded by Ms. Carroll.

MOVED to adjourn at 9:40 p.m.

VOTE The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk