

MINUTES OF THE JOINT TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON WEDNESDAY, APRIL 3, 2013, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410.

Present

Tim Slocum, Chairman; David Schrumm, Vice Chairman; Michael Ecke, Andrew Falvey, Thomas Ruocco, Peter Talbot, James Sima

Absent: Patti Flynn-Harris and Sylvia Nichols

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director.

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 2013-2014 OPERATING BUDGET

Mr. Milone and the Council reviewed the Budget Workshop 4/3/13 document.

A. Medical Benefits Summary – page 1. Waivers were a topic of discussion and clarification on costs was requested by the Council. Mr. Milone cited this page with information about waiver costs. The total cost of waivers this fiscal year is \$52,050 for 3 singles, 6 couples, and 15 families, but does not include partial waiver cost for part time employees, which is 15 people eligible, and 9 participating in the medical benefits plan. BOE waiver costs are about \$100,000 based on actual experience.

Medical Benefits Costs – FY 2014 lowest rates = \$437,694 Single coverages total cost is \$24,783; Couples total cost is \$100,206; and Family coverage cost is \$312,705; and this is before the employee contributions.

It was pointed out by Mr. Milone that payment of \$52,050 in waivers paid is worth the cost.

Affordable Health Care Act – Estimated expenses include the patient centered research fee of \$2 per contract per month - \$4,944; and reinsurance fee \$11 per contract per 6 months, effective January 1, 2014 - \$2,266. These fees are already built into the rates.

Mr. Masciana pointed out that the reinsurance program fee, dependents and members, is \$63 starting July 2014. The fee is in the allocation rates and employees do pay part of it. He cited the fact that 55% of the teachers are in the HSA plan, and it is expected that more will join this plan because of changes in the contract for next year.

B. Medical Benefits – Allocation Rates, page 2. These are the allocation rates for all new revised plans, FY 2013-2014. 50% of employees are in the PPO; 25% in the HSA; and 25% in the HMO. It is hoped to have more people migrate to the Health Savings Account plan. People pay about 15% more to be in plans other than the HSA. The rate increase will be 6.26%; cost of \$3,031,199. In speaking with the medical benefits consultant there are point of service changes to all the contracts. If successful there is expectation of 3% to 5% on the rate increase, using a 2.26% increase.

Other increases: Life Insurance, \$18,000; Medical waivers, \$45,000; HSA Town contribution \$83,000; Prescriptions \$4,500; total of \$325,105; Proposed budget of \$3,340,000. There is a variance of \$88,946.

Pages 3 through 7 – recap of the Trust Fund Analysis and where the town is right now.

Page 3 – the balance is between \$1.4 million and \$1.8 million. Each month the contribution is \$250,000; two months reserve is \$500,000; before using trust fund money there must be further review of budget revisions and decision making. \$3,251,054 would be reduced by whatever money is used from the trust fund.

Page 8 – LoCIP impact using debt reserve fund. With potential revision of another \$500,000 from debt service reserve fund the total appropriation would be \$1,668,436.

Scenario D – reflects impact of drawing down debt service money pending receipt of the LoCIP money. Mr. Milone expects that the Town will know in the next four months the outcome of the LoCIP and whether it is a go or not, and how to make sure this money is there for the next three years.

Page 9 – Utilities. The savings in utilities includes General Government, \$49,072; Pool \$18,000 and WPCD \$30,700; total of \$98,512. The \$18,000 will be taken out of the full pool subsidy.

Mr. Jaskot noted that the gas prices for FY 2014 were not locked in yet, and he expects they will be better. The current pricing is what he used in the budget.

Page 10 – back up detail and notes.

Page 11 – Reserve and Trust Fund Balances – Mr. Milone reviewed the balances in the reserve accounts and shortfall strategy with the Council.

Shortfall Strategy

Capital Non-Recurring Fund Balance	\$1.1 million
Medical Benefits Trust	\$350,000
Contingency	\$300,000
Heart & Hypertension Reserve	\$125,000
Pension Reserve	\$100,000
Debt Service Reserved	\$100,000
	?

These are the items to be used as fall backs should the State renege on their LoCIP funding. If more than \$350,000 is used from the fund balance this would have to go to referendum; it is an appropriation which the Council must make.

Page 112, non-tab book – Fund balance is at 9.4% of the operating budget, \$9.24 million at the end of FY 2013. The fund balance at 8% would be \$7.867, 000 – a difference of \$1,373,000. Heart & Hypertension account balance is \$1.062 million, and money has not been drawn out of this fund for a few years; this year the contribution is \$150,000 (page 150 tab book). The heart and hypertension liability has decreased to under \$2 million at this time. Page 15 (handout) shows the cash payments for claims and settlements. The total CIRMA liability as of 7/1/12 is \$2.4 million. Mr. Milone commented on settling claims and payouts over 2 or 3 years, and this has been successful.

Page 12 (handout) Overtime Analysis – Police, Public Works and Parks and Recreation Departments make up 85% of the overtime costs.

Police – FY 2008, overtime costs were \$353,859; FY 2013 overtime costs were \$351,000; and FY 2014 estimated costs are \$350,000.

Public Works – FY 2008, overtime costs were \$197,372; FY 2014 estimated costs are \$154,700.

Parks and Recreation – overtime costs are consistent at about \$30,000 annually.

Total Overtime in FY 2008 - \$581,299; FY 2014 estimated total costs are \$536,600.

If there are overtime cuts, the Police Department will absorb 50% of the cuts imposed. Extra duty officer hours are not reflected in the overtime costs, but this pay is included in the base wage.

Regarding overtime, Mr. Schrumm recommended a reduction of 15% for all departments, which would bring it down to the average for the last few years. With savings from retirements in the Police Department there will be overtime incurred before new officers are hired, trained and in place.

Mr. Ruocco questioned the same rules for overtime being applied in all departments. He noted that the total for 3 departments is \$536,000 in FY 2014; and \$80,000 spread amongst all the other departments. His recommendation is a 15% overtime reduction across the board.

According to Mr. Milone there is \$83,000 in overtime costs for Town Hall and Library personnel; Public Property is part of the PW Department and has about \$12,000 to \$18,000 in overtime. Regarding overtime being paid retroactive following contract settlements, Mr. Milone said he was not sure this is factored into the retroactive payment.

It was stated by Mr. Schrumm that we cannot take all of the I.T. improvements and say people are getting better services. There must be more productivity on a daily basis.

The Council was told by Mr. Milone that he will be working with department heads on devising savings through I.T. initiatives.

Page 13 – Town Attorney Budget History. The legal costs were defined by appropriation and expenditure. FY 2008 the cost was \$317,795; FY 2010-11 the cost was \$434,120. The retainer is a monthly fee; there are other town attorney hourly fees; and fees charged for para-legal staff per hour. The Council reviewed the fees since 1988-99 through FY 2013-14, and Mr. Milone commented on Murtha Cullina putting together many ways to reduce legal expenses, recommendations on how to reduce fees, regulations and procedures to be followed; and these responsibilities were turned over to Lou Zullo.

POTENTIAL REVISIONS FY 13-14 PROPOSED BUDGET

The potential revisions were laid out in categories, expenditure adjustment, revenue adjustment and cumulative total. A copy of the final potential revisions is attached to these minutes as an informational document.

Mr. Sima asked about legal fees expenditure adjustment of \$100,000.

Mr. Milone informed the Council that he and the town attorney will be meeting with the Attorney General's office to discuss the lawsuit with the DOC, and to tie in the retroactive charges back to DOC for the treatment plant. Murtha Cullina (Attorney Smith) is working on the settlement for the pool bubble claims, and is working with Ms. Talbot on the estimated amounts for the three lawsuits and retainer analysis to get to the appropriation for FY 13-14.

The BOE medical trust fund was discussed by Mr. Masciana, who advised there is about \$250,000 in savings; HSA deductible is increasing from \$2,000 to \$4,000; PPO plan has higher co-pays; but there must be concerns about claims that drive up the costs. Whatever the BOE potential revision will be it will come out of the medical benefits trust fund.

Page 5 (handout) Dept. of Education medical benefits/insurance trust account analysis, paid claims was reviewed. For April, May and June, Mr. Masciana said the contribution can be backed up to \$600,000 from \$500,000 based on what is happening in the operating budget, such as the high costs of the snow storm. The fund will end the fiscal year with \$1.8 million to \$2.1 million. This year the stop/loss reimbursement was \$150,000. There are a number of changes in the teachers' contract and there could be changes when these numbers are factored in. The Blue Care Plan premium increase is 9%. USI numbers are not yet finalized.

BOE retirements were discussed and Mr. Masciana advised that there are none to date, and the expectation is 3 retirements.

Mr. Falvey commented on an \$800,000 reduction in the BOE budget as being realistic.

The option of taking another additional month of claims from the trust fund was cited by Mr. Ruocco.

For the moment this is attractive and Mr. Milone commented on the BOE and Town being liable for 110% of claims.

The BOE adjustment (expenditure) is \$800,000.

Total revisions for the first 13 category items is \$1,604,956; this equates to 27.73 mills, a .47 mill increase. With an additional \$300,000 from the Town medical benefit trust fund the total revisions are \$1,904,956. To get to 27.60 mills, the revisions must total \$1,977,353, and Mr. Milone was asked by the Council to find another \$73,000 in revisions on the Town side.

4. ADJOURNMENT

MOTION by Mr. Ruocco; seconded by Mr. Talbot.

MOVED to adjourn at 9:00 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk.