

**MINUTES OF THE CHESHIRE TOWN COUNCIL BUDGET COMMITTEE MEETING  
HELD ON TUESDAY, MAY 14, 2013 AT 6:45 P.M. IN ROOM 207, TOWN HALL, 84  
SOUTH MAIN STREET, CHESHIRE CT 06410**

Present

David Schrumm, Chairman; Michael Ecke and Thomas Ruocco.

Staff: Town Manager Michael A. Milone; Finance Director James Jaskot; Dr. Greg Florio, Superintendent of Schools; Vincent Masciana, Director of Management Services, 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. Establishment of a Special Education Excess Cost Reserve Fund.**

Dr. Florio stated that in looking at State statute, excess cost money is different from regular revenue in that it is the one revenue source where money received above the itemized budget amount is credited to the Board of Education. The BOE budgets the anticipated amount, and two years ago the BOE did have to ask for more money due to additional expenditures. Last year less revenue was received and less was spent than anticipated, and money was returned to the budget. Over the last few years the State is tightening the reimbursement for excess costs, and it is harder for the BOE to project. The situation this year is receipt of more revenue than was projected. There is still an overage in expenditures for special education in the operating budget, and Dr. Florio foresees some difficult times ahead. He said it might make sense, and the BOE agreed, to create a reserve fund with the excess revenue so there can be a balance in future years.

It was explained by Dr. Florio that there can be expenditures with one unforeseen special education student. Over the last decade the BOE has received larger revenue amounts than appropriated. For a few years there have been lower costs and lower revenue. The committee and Dr. Florio reviewed the chart showing special education excess cost reimbursement. He noted that another issue is transportation, and he cited an example of a student placed in a Hartford private facility with eligible transportation, and this impacts the costs.

Dr. Florio sees the reserve fund as a tool to be used to mitigate spikes in costs over the coming years.

Mr. Schrumm asked about one student in FY 2014 and projected cost of \$100,000. This cost is put into the BOE operating budget as part of the overall budget number. He questioned the accuracy of this number.

In response, Dr. Florio said the number is fairly certain, and under the law there is evaluation every year for the appropriateness of the number. If parents see an issue they can request a hearing.

For two students coming into the system, Mr. Schrumm said there is an extra \$50,000 with payment beginning at the start of the school year. Somewhere along the line the form is sent to the State with \$100,000 for one child and another at \$50,000, and Mr. Schrumm asked when this form is submitted.

According to Dr. Florio estimates are submitted all along with the final estimate sent in February, and the State gives the projection for the year based on the information they receive. It is excess cost, and the BOE is liable for 4.5 times the per pupil expenditure. For \$100,000 placement of a student, the BOE is liable for the first \$50,000, with State reimbursement above that amount. For the first student the BOE budgets on the revenue side \$50,000; the State will give the BOE \$50,000 in February for that student. For the 2<sup>nd</sup> student it is the same situation, with the BOE paying \$50,000 out of the operating budget, with State reimbursement for costs above that amount. \$50,000 is budgeted in revenue, but the BOE receives \$75,000, because of the extra student. Under the law, expenses can be written off against that revenue.

Dr. Florio is suggesting taking the additional revenue above what was projected for this year, and setting it aside in a reserve for next year. He said that the State's level of reimbursement is changing; it has been capped; it is not funded at the full statutory level; and this fund would be a cushion and reserve fund for unforeseen placements. With the capping of the reimbursement, Dr. Florio stated that Cheshire could get a \$100,000 placement, expect \$50,000 back, and only get \$30,000 reimbursement.

In looking at the history, Dr. Florio said the Town gained \$700,000 over appropriated revenue in excess costs with the exception of one year.

The issue of other grants was raised by Mr. Schrumm.

Dr. Florio said there is the IDEA, and explained that if something is charged against a grant, the State will not double the reimbursement.

Over 10 years Mr. Schrumm said there were pluses and minuses, and they are negligible, with the average of \$70,000 a year.

If you look at what was originally appropriated for this year, Dr. Florio said it is in excess of \$150,000.

Mr. Milone stated that the Town has realized \$152,000 in additional special education excess in the estimated budget. What Dr. Florio is asking for is that \$87,000 be set aside on top of the \$152,000 in excess of what was appropriated. The Town appropriated \$739,000; the estimate is \$891,000; and \$979,000 will come in; and this is

a difference of \$87,000. With the appropriation of \$739,000 the Town will realize \$150,000 in the projected surplus for this year.

Mr. Schrumm stated that the \$87,000 becomes part of the surplus which the Town Manager has at the end of June.

The last estimate from the BOE was \$891,000, and Mr. Milone said after that the revised estimate was \$979,000, which was never put into the budget because it came in after the budget was developed for next year.

In the past, Mr. Schrumm said this \$87,000 has gone into the Town's surplus. Some of this is used to roll into the next year's budget. This year that amount is \$700,000. With the setup of the new reserve fund of \$87,000 this year, Mr. Schrumm said this is the extra money from the State after the February filing. Instead of going into the Town's surplus for FY 13-14, this money will go into a reserve account.

Dr. Florio stated this account is needed due to money from State being uncertain over the next few years. We have seen a spike in costs increasing over the years, and this is a concern for him. With the State cap on these costs the BOE will have more extra special education expenditures than budget. In the past the State reimbursement was fully funded. A few years ago the State capped the appropriation. He cited the example of \$100 million State money. After every municipality reports what they need, the State weighs the average, and if everyone gets 80%, the Town gets \$800,000. If a municipality has a bad year, this skews everything.

Mr. Milone said setting up the account requires an appropriation from the Council. If the BOE had to use the money it increases the appropriation of the budget and the Council would have to approve.

With a reserve account of \$87,000 Mr. Schrumm asked how the money comes out. In February 2014 reports are submitted to the State by the BOE.

Dr. Florio said he would look at it from the expenditure side. If expenses are running higher than anticipated the reserve fund money would be used to offset the overage in special education tuition for out-placed students. This would avert taking money from other budget line items.

If there is an excess of \$100,000 reimbursement next year, Mr. Schrumm asked whether the \$87,000 would be left in the account, and another \$100,000 put into the account for a total of \$187,000.

Dr. Florio said that in the spring, he would come to the Council with projections and needs, and a decision would be made. If there is a good year more money could be put into the reserve account because eventually there will be a bad year. This is a year to year call.

Given the small amounts on the chart, Mr. Schrumm said the chances are the BOE will use everything in the fund.

Dr. Florio said in a year where there is a shortfall it is dealt with through the surplus fund. The next year you budget appropriately because the expenses for a child will be known.

Mr. Schrumm commented on the BOE budgeting for students for the next year, there will be a cap, and if this is the trend there will not be any more positive years. The dollar amounts are so small, Mr. Schrumm questioned whether it is worth trying to figure out what is going on with \$87,000. He is unsure about making a decision on setting up the fund now.

A decision should be made by the end of the year, and Dr. Florio said he would make a recommendation to the BOE to use the \$87,000 this year for overages in special education. He and the BOE are trying to think long term about this situation and would prefer a few good years, letting the fund build up. The only way to fund a reserve account is through the revenue stream.

Mr. Jaskot informed the committee that the reserve fund would be set up the same as other reserve accounts with appropriations to the fund.

The committee was told by Dr. Florio that if the State places a student, i.e. DCF places a child in a school, the Town is responsible for the \$100,000, with State reimbursement of \$90,000. The State usually changes placements in the summer.

Mr. Schrumm thanked Dr. Florio for the information on the reserve account. This is a matter that will be reviewed further by the Budget Committee.

4. Acceptance and appropriation of a \$50 donation from Mulberry Gardens of Southington in memory of Blanche Mc Keagney to the Town Beautification Committee.
5. Acceptance and appropriation of a \$10 donation from Angela and Joseph Orsene in memory of Blanche McKeagney to the Town Beautification Committee.
6. Appropriation of \$1,000 from the Mini Bus Fund to the Greater Waterbury Transit District for FY 13-14 NON-ADA Service Membership Dues.
7. Acceptance and appropriation of a \$25 donation from Linda Musco in memory Of Adele Kleist to the Library Gift Account for library materials, furniture And computers.
8. Acceptance and appropriation of a \$20 donation from Michelle Noel in memory Of Margaret Anderson to the Library Gift Account for Library materials,

Furniture and computers.

9. Acceptance and appropriation of a \$50 donation from Marilyn and Joe DeLucia And Cathy and Don Baillie in memory of Grace Marie Pons to the Library Gift Account for library materials, furniture and computers.
10. Acceptance and appropriation of a \$10 donation from Linda and Gary Rittel In memory of Eileen Flynn to the Library Gift Account for library materials, Furniture and computers
11. Acceptance and appropriation of a \$50 donation from Richard and Mary Ann Strong in memory of Margaret Anderson to the Library Gift Account for Library materials, furniture and computers.
12. Acceptance and appropriation of a \$25 donation from Janice and Jim Bohan in Memory of Margaret Anderson to the Library Gift Account for library materials, Furniture and computers.
13. Acceptance and appropriation of a \$25 donation from Richard and Joan Matz in Memory of Margaret Anderson to the Library Gift Account for library materials, Furniture and computers.
14. Acceptance and appropriation of \$5,000 from the Neighbor to Neighbor Energy Challenge to the Library Gift Account for energy efficient computers and iPads.
15. Acceptance and appropriation of a \$260 donation from Operation Fuel Inc. To the Cheshire Fuel Bank.
16. Acceptance and appropriation of a \$125 donation from Nancy DeMauro in Memory of Blanche McKeagney to the Town Beautification Committee.

MOTION by Mr. Ruocco; seconded by Mr.Ecke.

MOVED that the Budget Committee approve and accept agenda items #4 through #16 and forward them to the full Town Council for approval.

VOTE The motion passed unanimously by those present.

17. Authorization to apply for the Connecticut Department of Education's Youth Service Grant totaling approximately \$35,616 over two years.
18. Authorization to apply for \$6,250 from Connecticut Department of Education Youth Service Bureau Enhancement Funds.

MOTION by Mr. Ruocco; seconded by Mr.Ecke.

MOVED that the Budget Committee approve and accept agenda items #17 and #18 and forwards them to the full Town Council for approval.

Discussion

Regarding agenda item #17, Mr. Milone explained that this is usually \$17,808 per year. The State has always given this to Cheshire because the Town meets the youth service conditions such as a Youth Service Advisory Council. This money goes into the operating budget as revenue. The State decided to give a grant for two years. The Town is applying once for both years. One year is for FY 14-15. The State is approving two years at one time, but the Town will only use \$17,808 in each of the two years.

Agenda Item #18 is an annual grant, has not changed much, and is a middle school program for development of self esteem, community skills, etc. Much of the money is used through the Yellow House programming. This is a special funds grant.

VOTE           The motion passed unanimously by those present.

19.     Municipal Brownfield Grant for Ball and Socket Arts, Inc.

MOTION by Mr. Ruocco; seconded by Mr. Ecke.

MOVED that the Town Council approve agenda item #19 and move it to the full Town Council for approval.

Discussion

For this grant, Mr. Schrumm clarified that the Town is acting as the conduit for the \$400,000. The group will receive the money and be responsible for hiring the contractor, clean up, etc. and the Town is not involved. He has a concern about something going wrong and the Town's liability.

This is a two part resolution and Mr. Milone explained that the Council is being asked to allow him, as Town Manager, to sign a letter of intent so the project can continue on its path. It is not a commitment of funding, acceptance of a grant, or appropriation of a grant. The second part is to introduce the Council to the agreement which Attorney Smith has drawn up between the Town and the Arts group to protect the Town from any eventuality. The Arts group is running the project and managing the money. The agreement has safeguards for the Town to put in place. The Town is requiring the Arts group that this be a reimbursement. The group is not getting an advance of money. The group must find the source, spend money, then apply, and then get reimbursed.

Mr. Milone advised that there is the possibility of putting a lien in the agreement so the property has a lien. This is a lot of money and he is unsure if the group has had any experience managing a project or grant of this size. It is complex and has many reporting requirements. Mr. Milone is asking the Council for authority to sign the letter of intent. Attorney Smith will discuss the agreement with the Council, with referral of

the agreement to a Council committee for further review. The Arts group has not agreed to all the terms and conditions because they have not yet seen the agreement.

There will be a second agreement between the Town and the State that draws off some of the items in the agreement between the Town and the Arts group. This is not yet finalized, but will be developed once the State gets the letter of intent.

Mr. Milone said there will be two agreements – one between the Town and the Arts group, and another between the Town and the State.

VOTE           The motion passed unanimously by those present.

20.   Acceptance and appropriation of insurance proceeds for the pool bubble.

MOTION by Mr. Ruocco; seconded by Mr.Ecke.

MOVED that the Budget Committee approve and accept agenda item #20 and forward to the full Town Council for approval.

Discussion

Mr. Schrumm explained that this is acceptance of a partial insurance payment with the money to be placed into an insurance account until decisions are made on what will be done.

The committee was told that there are two parts to this. Mr. Jaskto explained that the \$150,000 is the advance from the recent bubble collapse, and there is another \$24,000 check for the rip in the bubble from the October 2012 hurricane.

Mr. Milone assured the committee that accepting and appropriating this money does not give the Town carte blanche to do as it wants. We have two checks and they must be deposited. Only a small part of the \$150,000 will be spent for the reopening of the pool, about \$20,000 to \$30,000. Ms. Adams will provide an itemization of things covered under these costs. The big question is what the balance of insurance will be, as the replacement value should be larger because the bubble was new.

VOTE           The motion passed unanimously by those present.

21.   Moss Farms Water Main grant acceptance and appropriation.

MOTION by Mr. Ruocco; seconded by Mr.Ecke.

MOVED that the Budget Committee approve and accept agenda item #21 and forward to the full Town Council for approval.

Discussion

This is being done in compliance with a consent order from the State to supply water to three homes with contaminated wells, and Mr. Milone said the grant will provide for the mains and connections to the homes. The State will not pay the costs of connection of water to the houses, and will pay only \$108,000. The consent order was issued 11 years ago and it was not imposed on the Town because there was no money to do this work. With the grant, the Town must supplement the costs or be in violation of the consent order. There is \$229,000 in the water main account, and the Town will have to use \$30,000 of this money to do this work.

VOTE The motion passed unanimously by those present.

22. Approval of successor lease for a portion of Boulder Knoll Farm for sunflower Project.

MOTION by Mr. Ruocco; seconded by Mr.Ecke.

MOVED that the Budget Committee approve and accept agenda item #22 and forward to the full Town Council for approval.

Discussion

This is continuation of the sunflower program without any changes, and Mr. Milone noted that the proceeds go to a charitable cause.

VOTE The motion passed unanimously by those present.

23. Allocation of \$10,000 from the Capital Planning account to Community Pool Evaluation Committee for a consultant.

MOTION by Mr. Ruocco; seconded by Mr.Ecke.

MOVED that the Budget Committee approve and accept agenda item #23 and forward to the full Town Council for approval.

Discussion

The pool committee originally requested \$10,000 and Mr. Milone informed the Budget Committee that the request was increased to \$15,000 for professional services for review and recommendation of several options being researched. The committee needs someone with engineering and technical expertise related to aquatic facilities.

There is \$51,869 in the capital planning account, and Mr. Milone said the \$15,000 would come out of this account.

Mr. Ecke, a pool committee member, said the money would be used to get information and assistance from an expert. The cost was more than the committee projected it to be for a consultant.

VOTE           The motion passed unanimously by those present.

Mr. Masciana was present for a brief discussion on the resolution for the high school roof and the State's requirement for certain language to qualify for reimbursement. The committee was told by Mr. Masciana that the project is completed, and the roof has a 30 year warranty from Firestone. There will be a request to the Council next month from the emergency fund. The Town is still waiting for FEMA money and insurance proceeds of about \$90,000 in total from all sources.

24.    ADJOURNMENT

MOTION by Mr. Ruocco; seconded by Mr. Ecke.

MOVED to adjourn the meeting at 7:25 p.m.

VOTE           The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk