

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING HELD ON TUESDAY, JANUARY 7, 2014 AT 7:00 P.M. IN COUNCIL CHAMBERS, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Tim Slocum, Chairman; David Schrumm, Vice Chairman; Council Members Patti Flynn-Harris, Liz Linehan, Sylvia Nichols, Robert Oris, Thomas Ruocco, James Sima and Peter Talbot.

Staff: Town Manager Michael A. Milone; Finance Director James Jaskot; Gina DeFilio, Deputy Finance Director; PW Director George Noewatne; Town Engineer Walter Gancarz; Donald Nolte, Engineer Technician; Tax Assessor Mario Panagrosso; Executive Assistant Arnett Talbot

BOE – Supt. Of School Dr. Greg Florio; Asst. Supt. Of Schools Scott Detrick; Director of Business Management Vincent Masciana; BOE Chairman Gerry Brittingham.

Guests: GEO Systems – Brian Dooley and Marwin Gonzalez

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. PRESENTATION ON PRE-BUDGET F.Y. '15

The Council and public were given copies of the materials for the meeting.

Page 3 – Dr. Florio stated there is no change in revenue for the Board of Education (BOE), but reimbursement for excess costs could change based on the school district's experience. The projected BOE budget for FY 2015 was developed a month ago before Dr. Florio finalized the budget. The BOE budget for FY 2015 is \$67,060,000.

Page 5 – Dr. Florio reviewed the assumptions in the BOE budget. Certified Salaries include the increase in the teachers' contract of 2.6%, which also includes the staffing for a full day kindergarten program. Non-certified salaries increase about 2.5%. Employee Benefits has a large increase; the bulk is for employee benefits of over \$1 million; this will allow funding the benefit liability in the operating budget. The trust fund balance is projected to be about \$1 million to \$1.1 million at the end of this fiscal year. Instructional Expense is a bit higher due to the up front costs of \$350,000 for the full day kindergarten equipment and supplies. Support Services remains flat. The BOE will be looking at a new bus contract next year. Maintenance and Other costs could be reduced with the energy management contract, with upgrades which would help in the maintenance area.

This projected budget is a 5.3% increase, and Dr. Florio's budget to the BOE is about a 5% increase.

With regard to the medical trust fund balance, the assumption has been to fund the medical liability with the operating budget and use of the trust fund. Dr. Florio said his estimation is that the BOE is getting to the level in the trust fund where this cannot be done, and the liabilities must be funded out of the operating budget. Cost containment and control measures have had a positive effect, and claims experience growth rate has been minimal.

For full day kindergarten the BOE will hire eight (8) additional teachers, with an average of \$60,000 for employee benefits. Dr. Florio said there is also a \$150,000 increase in the pension contribution built into the budget. There is no increase into the medical trust fund, and next year there will be a fund balance of \$1.1 million, with the BOE operating budget funding liabilities.

The Council was told by Dr. Florio that the retrofitting and upgrades to the school buildings for full day kindergarten will be less than \$10,000, as these schools did once house kindergarten classes. The BOE has also seen very good costs in terms of utilities which is part of the maintenance line item.

Town Manager Milone informed the Council that the Town and BOE staff get together, make assumptions about trends that have been seen, changes which will take place in the budgets going forward, and make an educated guess on a macro basis on where the budget might be. The purpose is to start a dialogue, early on, so the Council can let staff know about parameters to be maintained, high priority items, things needing more work, etc. to make the next three months a little easier for all, working towards knowing what the Council wants.

Mr. Milone thanked Mr. Jaskot, Ms. DeFilio, Mr. Panagrosso and Ms. Talbot for their work in compiling all the data for the budget.

Town Council and staff will merge where it thinks the budget should be, based on the assumptions with revaluation data which will provide information for the budget, and get a handle on the impact to taxpayers and mill rate assumptions. Mr. Milone stated that following this meeting, Councilors will have a good sense of what is transpiring and explain it to constituents.

Mr. Milone began his review of the Five Year Comparative Budget Analysis (page 2). He noted that 2008 had the recession, and the budget approach changed from that time forward. There was the realization of the new normal being limited budget growth, constraints were imposed, efficiencies everywhere possible, etc. Over the five years the Town budget has grown, and it was hit hard because of the pension increase of \$350,000 each year for four years. This is the biggest driving part of the increase. Debt service declined over five years by over \$2.2 million. In FY 2009 the Town was paying 10.9% of debt as a percentage of the operating budget. In FY 2014 the debt is just over 8% of the operating budget. The five year budget growth has been 1.32%, with a tax increase impact of 1.71% per year, or an average of #107 for residents with a house and two cars.

Page 3 – Mr. Milone explained that if the projected budget were adopted it would grow by \$4.4 million, or 4.5%. The mill rate would be 28.95 mills; an increase of 1.35 mills, 4.91%. The mill rate development is based on the grand list without assumption of revaluation numbers. This rate will be converted with the revaluation data.

Page 4 - Mr. Jaskot reviewed the budget projections for the various categories within the budget. Increases were stated as follows: Personnel Services 2.5%; Supplies & Services 2.5%; Utilities 3%; Contract Services 3%; Prof. Expenses 2.5%; Equipment 2.5%; Other (Various). In the Other category there is inclusion of pension, medical benefits 10%; workers compensation 7% (locked into 3 year contract); Social Security about 2.5%; Pension Contribution of 16% for Police and Town, with the increase on a phased in plan.

Mr. Milone said the FY 2015 projection is based on the assumptions and five years of watching each category grow. He noted that the Town has a line item budget, with line items aggregated by the major objects of expense.

Under Personnel Services there are salaries, overtime, salary differentials, and within each major area there could be 15 items. Mr. Milone highlighted some of the increases. \$311,999 salary accounts, for 25% of the total increase; Contract Services (i.e. solid waste costs of \$1.6 million, RWA repayment of \$560,000, street light costs \$260,000, public health \$430,000, I.T. \$360,000. 57% of the budget increase is in the 700 accounts (pensions \$300,000; medical benefits \$300,000). Mr. Milone noted that one of the real benefits of doing this exercise is seeing where the major cost drivers are, and where efforts must be concentrated from the start.

Pages 6 and 7 - Mr. Jaskot reviewed the General Fund Revenue Budget Projections. PILOT grants went along with the State adopted budget, which was different from the Governor's proposed budget. Last year \$1.668 million was used from debt service to balance revenues against expenditures (page 7). When the State budget was officially adopted, the Town got more State grant revenue.

On pages 6 and 7 the changed major State grant revenues are highlighted. PILOT grant increase was \$1.961 million. Debt Service reserve funds will not be used in the 2015 budget. The projections are based on the State's adopted budget and what the Town will receive in FY 2015.

Department revenue increased by 2%; Miscellaneous revenue remains constant with FY 2014; Sewer assessments are decreasing. Education Grants will be \$10.8 million, consistent with last year.

Mr. Milone commented on the issues with last year's budget when the Governor's budget decimated most of the long standing and traditional municipal aid programs, particularly the PILOT programs. The Governor was going to replace them with LoCIP money with municipalities receiving the money when they started paying for capital

projects. The idea was for Cheshire to use its debt service reserve money as a stop gap, and in the 2nd, 3rd and 4th years, as LoCIP money came in, it would replenish the debt service reserve fund.

The Council was told by Mr. Milone, that absent from these projections is any potential impact from W.S.Development. If things continue to proceed it is likely W.S. will be applying for a building permit in spring/summer 2014. There is about \$850,000 in revenue to be generated. Once the project starts the Town will have some expenses, such as an Assistant Fire Marshal and Assistant Building Official assigned to the project for one full year at a cost of about \$160,000. There will be a plan in place when the numbers are available along with a plan for use of the \$850,000.

Page 3 – Mr. Milone referred back to this page and the adoption of a mill rate. The total expenses are determined and all non-tax revenue is figured out. On page 3 there is identification of \$22,262,668 in non-tax revenue; the budget is \$104,809,328; the non-tax revenue is subtracted from the total projected budget; and we come up with \$82,446,660...the amount of money to be generated from taxes to balance the budget. One mill generates \$2,847,494 in revenue; divide that into the amount of tax revenue needed; and the estimated mill rate is 28.95 mills.

Page 8 – Fund Reserve Accounts as of 11/20/13. Mr. Milone reviewed the reserve accounts which show \$5.486 million in debt service reserves; \$408,000 in Pension reserves; \$1.202 million in Heart & Hypertension reserves; and CRRA reserve of \$94,000.

Regarding the CRRA reserve account of \$94,000 Mr. Milone said the Council could use this money for payment of some of the bulky waste project costs.

Medical Benefit Trust Fund Balance as of 11/30/13 – Town \$1.425 million; Education \$1.633 million.

The BOE used much of their reserve to balance their budget. Dr. Florio is suggesting the BOE use \$1 million of the operating budget to replenish the fund and bring it to a healthy level.

Fund Balance as of 6/30/13 – General Fund undesignated fund balance, \$9.439 million; less 8% of FY 2013 actual expenditures - \$7.877 million; excess over 8% - \$1.562 million. The Council can decide on the use of some of this excess money.

WPCD - \$673,000 fund balance; Community Pool – 0 balance.

Regarding the community pool fund, Mr. Milone stated that the Town is waiting for payment on the interruption of business claim from the insurance company.

Page 9 – Results of General Fund Audit. Mr. Jaskot stated that the fiscal year results are directly from the audit. The summary shows \$1,058,841 from current year operations, available fund balance as of 6/30/13 of \$10,139,213, \$700,000 committed to

2013-14 budget and fund balance 6/30/13 of \$9,234,697. The pool is considered under GAAP as part of the General Fund.

Page 10 – Projected Debt Service Analysis. Mr. Milone said that based on current borrowings, approved projects, and planned capital budgets for the next four years out, this is what is now being paid in debt service. The pool project has been approved and the project is rolled into Un-issued Debt for Existing CEP. The Town will pay \$95,000 in debt service to the pool next year, and somewhere between \$235,275 for the next nine years. This is all built into the projections.

Column #4 Est. CWF Debt for WPCD Upgrade is the annual expense for the CWF annual expense for the grant and loan. Mr. Milone advised that the project did start later than anticipated, so the first payment will be in FY 2018, not FY 2017.

Column #5 General Fund Debt Total shows debt service dropping this year to next year to \$7,952 million; then down to \$7,369 million; then to \$6.950 million. The Town will benefit from significant debt savings over these three years of about \$1.1 million. This savings can be put into the debt service reserve to build up the account from the current \$5.4 million. Mr. Milone recommends coming up with a plan on how to use the \$5.4 million to take the spike of \$3.5 million and mitigate it in 2018. This will reduce future year increases.

According to Mr. Jaskot these projects are predicated on a 4% interest rate, and next year the interest rate assumption is 3.5%. The CWF loan is at 2% with a predicted completion date of the treatment plant project of January 1, 2017. With a change of the completion date the reimbursement date will change. For the three years of construction the Town pays 2% on interim funding, and in 2018 makes a balloon payment.

Regarding the phosphorous portion of the treatment plant project, Mr. Milone said there is a 30% assumption. The Town is awaiting a decision on whether Cheshire will receive a 50% reimbursement on the phosphorous portion.

Page 11 - Water Pollution Control Fund Revenue Report. As of June 30, 2013 the fund balance is \$673,000. The WPCA approved a \$370 sewer use fee versus the Council's recommendation of \$365. The \$370 fee will generate an additional \$44,000 in revenue this fiscal year.

Page 12 – Community Pool Fund Revenue Report. The unassigned fund balance as of 2013 is \$40,612, and this is the assumption for the business loss claim. When the pool project is completed the facility will be in the strongest financial health since its opening in 1999. There is \$260,000 of insurance money in the reserve account, with \$27,000 spent to address some of the repairs. Mr. Milone explained that the Town will be settling the claim on the dehumidification unit for about \$30,000, and \$11,000 more in FEMA reimbursement will be coming in. There will be a total of \$300,000 to \$320,000 for utilization as the Council decides. It was recommended by Mr. Milone that the Town

develop a fund balance for the pool. This would reduce reliance on the General Fund subsidy which is now \$321,000 from the Parks and Rec Department budget. \$60,000 in savings will be realized without expenditure of installation and taking down the bubble. The pool will have a more controlled environment, stability, and predictability for utility expenses. The Town will have good options on what to do and how to do it with regard to operation of the pool.

Pages 13-15 Impact of Revaluation. Mr. Milone reported on the variances due to revaluation. On average the residential property valuation has dropped by 8.73%, and commercial/residential valuation has dropped by 8.3%. Ten years ago the residential property value increased by 9.2% and commercial/industrial increased by +20%.

Page 18 – Comparative revaluation 2013 – Surrounding Towns (median). For 2013 revaluations, the residential valuation ranges for the communities cited, had a drop of from 6% to 25%; the average of the medians is 12.92%, against Cheshire's drop of 8.1%; commercial average median dropped 8.56%. In 2012 revaluations dropped 18.2% for residential, and 10.5% for commercial for the towns cited.

Page 14 – Grand List Comparisons Pre FY 2015 Budget Analysis – Mr. Milone reviewed this page with the Council for a grand list without and with revaluation data. Three components make up the Grand List – Real Estate, Personal Property, Motor Vehicles.

For the 2013 Grand List, without reval, the total assessment is \$2,903,000,000; tax generated at 28.95 mills totals \$83,201,432.

For the 2013 Grand List, with reval, the total assessment is \$2,668,000,000; tax generated at 31.5 mills totals \$83,201,580.

In looking at the information stated, Personal Property and Motor Vehicle values do not change (with or without reval) because they are updated every year. Real Estate values show a change from \$2,555 Billion to \$2,320 Billion, a reduction of \$235,000. This requires the Town to come up with a mill rate to get to the same tax revenue amount of \$83,201,580 to balance the budget. The mill rate calculation was 31.5 mills, generating \$72.3 million in tax revenue; personal property and motor vehicle taxes make up the \$550,000 tax revenue to come to the total of \$83,201,580. The mill rate is applied to the three components of the Grand List.

Page 13 – Trout Brook Road Property Assessment.

Mr. Milone walked through the steps to determine a property assessment (70% of market value) for a Trout Brook Road property, 2012 GL assessment of \$333,710, and 2013 GL Assessment of \$299,110. The 2013 revaluation saw a drop in value of about \$34,000.

Current taxes on pre-reval assessment at 27.6 mills, tax would be \$9,210.

Taxes at the pre-reval assessment at 28.95 mills, the tax would be \$9,661(+\$451 or 4.9%).

Taxes on post-reval assessment at 31.5 mills, the tax would be \$9,422 (+\$212 or 2.3%).

Every house showed a decrease in value from the 2013 revaluation, and condominiums showed a significant reduction in value.

Page 16 – Sample Properties with 2012 and 2013 Grand List and Reval Assessments. Mr. Milone reviewed the information on this page which illustrated a number of examples of residential, residential condo, commercial and motor vehicle assessments. Property values which do not go down significantly will see larger tax increases than those with more decreased values.

Motor Vehicles – average motor vehicle value shows an increase in value of \$274 (2013 GL), which is a \$37 (15.39%) tax increase.

Commercial properties show a decrease in value with a tax variance of +\$14,095, and a tax of +\$788 (5.77%).

Tax Assessor, Mario Panagrosso, informed the Council that the numbers stated in the presentation are estimated and based on decreases in values.

According to Mr. Panagrosso, the informal tax appeals hearings are completed; there were 150 hearings, 110 residential and 40 commercial; and the final date for a written request to appeal is February 20, 2014. Property owners would have an appointment with the Appeals Board in March 2014. The time period to take the Town to Superior Court is two months. The Town hired a commercial real estate appraiser to assist with review of commercial/industrial properties, participate in the informal hearings with taxpayers, review methodology, and this consultant will also assist the Town with any appeals going to Superior Court.

Page 7 – Mr. Schrumm referred to the “Education Grants” and commented on the ECS grant which was reduced dramatically in the first year of the State biennial budget. It is now reduced to \$9.3 million, and he asked if this will be the 2nd year number.

In response, Mr. Milone said that the Governor had two things in mind – create a funding source for capital improvements, with money in the LoCIP fund; and he gutted municipal aid programs, particularly the PILOTs. He took all the municipal aid money to fund education (ECS). The General Assembly restored all the municipal aid items, and brought ECS back to existing levels, and Cheshire’s level is at the \$9.5 million.

Page 13 – Mr. Ruocco referred to the 28.95 mills for the Trout Brook Road property and tax of \$9,661, which is a 4.9% increase. He noted this is above the average for the last 5 years which has been 1.7%. He said the revaluation is revenue neutral to the Town, not to the tax payers, and taxes are driven by spending, not assessments.

Mr. Milone explained this is not the mill rate to go with the proposed budget, and what happens with the revaluation is a 2.3% increase.

Mr. Milone commented on this meeting being a preliminary discussion of the FY 14-15 budget, and the upcoming four months of work ahead for the Town Council and Town staff. There will be guidelines from the Council to staff, and things will change over the next few months, as each account, program and service is reviewed and balanced with a comfortable tax rate.

5. PRESENTATION ON GIS

Guests: GEO Systems representatives Brian Dooley and Marwin Gonzalez.

Mr. Panagrosso gave the Council a brief history, background and time line of the GIS System.

In 2009 there was a pilot program through the Council of Governments (COG); COG hired GEOSystems to digitize assessor lot lines. August 2010 - \$135,000 appropriated to the capital budget; December 2010 - the RFP for consultant, needs assessment, flyover of Town, strategic plan. July 2011 – strategic plan developed, and \$165,000 additional appropriation. January 2012 – RFP for aerial photos and development of Plan of GIS data. April 2012 – flyover was done and in December 2012, system deliverables handed over to the Town. April 2013 – RFP for GIS storm and sanitary layers which led to contract with GEO Systems. July 2013 – disclaimers for the web site (Town Attorney approved); software training for Town staff. November 2013 – adoption of fee schedule for color copies of maps; addresses for condo units. January 2014 – completion of the storm and sewer layers; opening up new GIS site and portal which demonstrates all the new data.

Brian Dooley, GEOSystems President, thanked Town staff and Mr. Panagrosso for their cooperation and assistance with implementation of the new GIS System. He reported that the web site went public today. Mr. Dooley asked that any questions, concerns, problems related to the GIS System be brought to the attention of GEOSystems.

Marwin Gonzalez, GEOSystems Project Manager for the Cheshire GIS System Project, introduced the new GIS web site to the Council and the public. Mr. Gonzalez said the web site is the actual link to the Tax Assessor's data base, and all the information is available through the search results. The web site has a property card that can be printed. There will be annual updates on the properties and tax maps, and GIS is interactive mapping. The Town acquired 2012 aerial photographs, and there are many layers in the GIS mapping system.

Don Nolte, Engineering Technician, Town of Cheshire, explained that the Town now has pictures and images, spread sheet of data associated with a property, and the GIS System helps establish better management practices. Staff can create maps of certain views; the GIS data will be used in the PW Department for projects; and Mr. Nolte

displayed GIS maps which are used by the staff for road work, drainage work, trees, location of manholes, etc.

Mr. Gonzalez displayed the many map layers/overlays/views for analysis with the GIS System. These included views for sanitary, storm, catch basins, sump pump density and many more.

Mr. Gancarz commented on the sump pump and extraneous flows to the sewer system. During the 2013 revaluation it was found that 1040 residents have sump pumps, and with this information staff will use the GIS System, overlay the information with the sanitary sewer area and determine which pumps are in this area, and rule out some of the pumps. There can also be a more direct campaign related to sump pumps by using the GIS System. With installation of the as-built sewers, age, type of pipe etc. can be determined.

According to Mr. Gonzalez, there is easier identification of problems and savings through the GIS. He explained that the system will be used for public safety by Fire and Police Departments, road maintenance and ratings etc.. He displayed a 2012 topographical map, water shed areas, flood zones, voting districts, condo complex footprints can be created, elevation data, Connecticut DEP layers, aquifer protection areas, open spaces, location of schools/fire hydrants/water mains, information shared between agencies and Cheshire. The GIS System can create mailing labels, saves time and costs, and everything that is downloaded has a disclaimer.

Ms. Linehan thanked Mr. Gonzalez for his informative presentation, and expressed concerns about someone pulling up personal information on her home and family. She understands the public safety aspect of the GIS System, but has concerns about this data being available on the public level.

In response, Mr. Gonzalez advised that people can request that their information be suppressed, except for public safety. He stated that GEOSystems takes security very seriously.

Mr. Panagrosso advised that records can be suppressed with a written request to the Assessor's Office. Once the revaluation is over, there will be a suppression button available. Internally, every Town department has access to the GIS System.

On the Horizon – Mr. Gonzalez reported that GEOSystems takes information, updates and secures the information, will be doing GPS field work, and monitoring of the system. Mobile development is being looked into by his company. He stated that public safety will be the biggest advocate of the GIS System, and GEOSystems will continue the updating and monitoring of the system.

With regard to maintenance, Mr. Nolte commented on this being a most important attribute for the GIS System. He would want developers to submit digital information to

be input into the system, and land use agencies will be approached to adopt regulations as the next step.

Council Chairman Slocum thanked Mr. Dooley and Mr. Gonzalez for the presentation on the GIS System.

6. ADJOURNMENT

MOTION by Mr. Schrumm; seconded by Mr. Sima.

MOVED to adjourn at 9:48 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk