

MINUTES OF THE JOINT TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON WEDNESDAY, APRIL 2, 2014 , AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Chairman Timothy Slocum; Vice Chairman David Schrumm; Patti Flynn-Harris, Liz Linehan, Sylvia Nichols, Robert J. Oris, Thomas Ruocco, James Sima, Peter Talbot. Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director. Dept. of Education – Vincent Masciana, Director of Management Services

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. DISCUSSION RE: Proposed FY 2014-2015 Operating Budget:

Town Manager Milone submitted the potential budget revisions (revenue and expenditure adjustments) for Council review and consideration.

REVENUE

PILOT	\$257,787
Pequot/Mohegan	\$171,674
Building Dept.	\$ 30,000
Town Clerk	\$ 10,000
Fine Arts	\$ 5,000
Miscellaneous	\$ 10,000
Bd. Assessment Appeals	<u>\$ 16,971</u>
TOTAL REVENUE ADJ.	\$501,432

PILOT – Mr. Milone informed the Council that a proposal has been submitted by Sen. Looney to get the PILOT payment up to the 75% level for prison towns, and set a fixed amount for colleges and universities. It would be a five year phase in program. This would have a significant impact on Cheshire. The Pequot/Mohegan grant should work inversely with the PILOT; the State is using the Pequot money to make up the shortfall; the PILOT is down and Pequot is up; and Pequot money has not been used properly to make up the difference between PILOT and what the town gets. The payment should be 75% of the tax loss; it is actually about 49% reimbursement; a shortage of \$1.8 million annually; with the 75% reimbursement there would be about \$900,000 more revenue to Cheshire. 100% reimbursement would be \$3.6 million, and the town receives \$1.8 million now. There was another issue regarding prison population census being based on where the person lives, not the municipality where they are imprisoned. This would greatly affect Cheshire's payment. Mr. Milone noted that the PILOT payment will be affected by the revaluation.

Building Department – the +\$30,000 revenue is based on trends and information for the next two months.

Town Clerk – it is expected there could be additional \$10,000 revenue from the real estate conveyance tax.

EXPENDITURES

Parks and Recreation	\$ 33,000
Public Works	\$ 48,320
Town Attorney	\$ 10,000
Police Dept.	\$ 15,510
Fire Dept.	\$ 13,950
Employee Benefits	\$100,000
Dept. of Education	\$400,000
Fuel/Oil	<u>\$ 2,000</u>

Total Expenditure Adj. \$672,780

Total revenue and expenditure adjustment - \$1,174,212.

3/31/14 handout, page #3 – based on the revised pool numbers, the pool fund balance would be \$133,438; subsidy for the pool from Parks and Rec budget is reduced by \$33,000 to \$217,000; this leaves a pool fund balance of \$100,428. The balance from the insurance proceeds is \$157,171; there are still some expenses for replacement of equipment for the pool opening, about \$15,000, which will bring the insurance settlement balance down to \$142,000. The original pool fund balance of \$133,428 less \$33,000 becomes \$100,438. The Council makes the decision on the use of the \$157,171. There is a possible expense of \$45,000 to \$50,000 for the pool for score board and touch pads, and there is money available for these purchases.

There were a series of projects done 5 years ago for \$127,000; they have \$23,000 left in C.N.R. which could be used by the Council.

Public Works, page 128 - \$48,320 for solid waste tonnage for average 6,800 pounds; reducing the tonnage by 400 pounds and there is a reduction in expenditures of about \$38,000.

Page 123 – two vacancies in the PW Department for Mechanic and Maintainer; there is savings of \$5,200 because these people will not hit the step increase in the fiscal year.

Page 126 line item 5204 – Program/Materials, reduced by \$10,000; the plan is to purchase salt and sand early and stockpile the materials for next winter.

Page 125 – Utilities, reduced by \$5,000.

Town Attorney - \$30,000 in last year's budget was for the Police Dept. investigation, and the barite mines lawsuit. This budget is reduced by \$10,000.

Page 83, Police Department – computers in cars is reduced by \$10,510.

Page 81, Police Department – reduction in overtime by \$5,000.

Page 109, Fire Department – hiring date for fire inspector moved to February 2015; results in a reduction of \$4,450; overtime reduced by \$1,500.

Page 110 Fire Dept. Personnel Services – variety of things for firefighters reduced by \$3,000; Elim Park gift fund can supplement these purchases.

Line item 5403 – auto/gas, reduced by \$5,000.

Medical Benefits Account – take \$100,000 more out of the trust fund; leave a balance of \$1.2 million.

BOE Budget - \$450,000 reduction is based on presentation from Dr. Florio and Mr. Masciana.

Mr. Masciana explained that the \$100,000 represents a reduction of one teacher and one instructional assistant for the full day kindergarten program; some infrastructure costs going into the capital budget, \$300,000; reduction in transportation costs of \$50,000; total \$450,000.

Total revenue and expenditure adjustments of \$1,174,212, at 30.26 mill rate.

Mr. Schrumm said that for revenue adjustments, \$300,000 is extra money out of the fund balance to take pressure off the budget due to revaluation; we are already using \$700,000 out of fund balance for next year; \$450,000 from the bond refunding savings is being used in the proposed budget plus \$300,000 = \$750,000 in the hole. He noted another \$410,000 revenue for W.S. Development in the budget, and without this revenue there is another \$410,000 in the hold. He suggested taking PILOT and Pequot money which is general revenue, keeping bond refunding in the “bond” part of the budget, and this will provide more flexibility in the future. The Council could put the entire \$800,000 refunding savings into the debt service account.

In the rating presentations last week, Mr. Jaskot said the savings number could be closer to \$750,000 due to higher interest rates. If rates come down the savings could go back up to \$800,000.

Page 91 – Mr. Milone noted that savings from refunding were used in the past. The intention was to be prudent and also protect the interest of the taxpayers. \$800,000 was not predicted or expected, but with a call provision it is worthwhile to refund the bonds.

Handout 3/24/14, page 5 – Debt Service Analysis. FY 2013 there was \$119,241 used from refunding proceeds. FY 2015 debt service will decline by \$450,000; net debt service FY 2016 - \$7.369 million; FY 2017 - \$6.95 million; \$5.8 million balance in the reserve account will cover 4 years of the spike in debt service.

Mr. Milone commented on the purpose of the fund balance being tax relief. Next year's tax burden for some people will not be created in the subsequent budget; it will be more controllable; and the mill rate can be more equal and fairer.

\$410,000 W.S. Development revenue would defer some of the non-urgent capital projects, help push the C.N.R. to \$450,000; but until we know this money will be realized there are some contingencies in place.

The Council members reviewed the revenue and expenditure adjustments, the total of both, and mill rates. For example, take \$450,000 from debt refunding, reduce the total adjustment to \$724,212, and get the mill rate. Taking another \$300,000 reduction in revenue = \$424,212, with a mill rate of 30.54 mills.

Mr. Schrumm commented on his issues of concern. He said the technology upgrade of \$165,000 should reflect more competency and work done by staff, and reduce need for more staff. Town Clerk's office overtime of \$2,000 could be offset by flex time.

Regarding the technology upgrade, the Council was reminded by Ms. Flynn-Harris that staff was using antiquated equipment, and is still dealing with the infrastructure which has not been updated; and we are bringing people up to a level they have never seen before.

Mr. Milone noted that Library Director Burkey would be looking for more staff were it not for the technology upgrade.

Fine Arts Department – Mr. Schrumm questioned the request for increased work hours for the clerk/typist when there is new technology now in the department.

According to Ms. Flynn-Harris this department is just starting on-line registration and use of credit cards, and revenue was affected by not having this on-line. People in Fine Arts have worked extra hours, without pay, to get the work done.

For Fine Arts, Mr. Milone said the extra hours coincide with the operation and continuity of staffing, as the department is open 12 to 13 hours a day and work hours are staggered.

For the Dept. of Education, Mr. Masciana explained that with on-line job applications there is savings of thousands of dollars a year. People apply on-line; administrators and staff can view applications on-line; and mark those people they want to interview. There is savings in printing and storing applications and personnel time of about \$20,000 annually.

Mr. Oris commented on the fact that the Town Council members are not capable of making a decision on hiring a person or elimination of a person. This is why the Council hires a Town Manager and staff to do the job every day and to trust them. The job of the Council is to work on the bigger items to reduce the budget.

In looking at the medical benefits trust funds, Mr. Oris noted the Town's side has more potential dollars with a \$1.2 million balance, which will be reduced to \$1.1 million if another \$100,000 is moved into the next fiscal year budget. He said there seems to be more room in this area of the budget, and questioned reducing the balance to \$750,000. This would be 3 months of claims coverage, and is something the Council has consistently asked the BOE to go through.

Mr. Milone said that to go to \$750,000 would create a bigger hole for the subsequent year. He wants to use reserves to reduce expenses but not to the point where there is a low floor and significant increase.

Between the BOE and Town the pool is \$2 million. The BOE is at \$625,000 and must put into the fund what Blue Cross tells them to put in, and it may take a few years to bring the accounts up. The Council discussed funding the medical trust funds, possible increase in claims of 5%, and the need to use reserve funds to get caught up. The BOE and Town do not fund at 110% due to having good reserves, and budget at 100%.

Mr. Oris stated that, maybe, the budget should not be funded out of the trust fund accounts and budgeted properly.

Mr. Milone commented on establishing guidelines on how to use the trust funds.

Regarding the medical benefits and trust funds, Mr. Ruocco asked if the insurance company requires the Town to maintain a certain amount of money in the bank at all times.

In response, Mr. Jaskot said "no"...that the insurance company draws on the account to pay claims.

From a cash standpoint in the trust fund pool, Mr. Schrumm said there is the Town's \$1.2 million and the BOE's \$900,000, and this is double the run rate. If there is another \$1 million to the BOE there must be an agreement that the money will be replenished and used as proposed.

Handout 3/24/14 page 5 – The Council discussed the gross debt service amount and gross annual variance.

Mr. Sima cited some issues of concern for him. He stated the BOE will need \$2 million for standard operations. He will fight for the \$450,000; use of the \$300,000 in this budget is building another hole by using money that is not really there; he wants the \$450,000 to go into the debt service reserve, bringing the account to \$6.3 million. For

FY 2018 the \$3 million can be used, bring debt service to the \$8 million range, and still have \$200,000 reserve balance.

Mr. Milone noted that in FY 2022, there would still be a \$9.1 million debt service payment, and Mr. Sima stopped at \$8.3 million. There is still a spike, and this is the danger of using the money early to mitigate the increase. Mr. Milone wants to use the \$450,000 without burdening the taxpayers.

Stating that the Town has serious contractual obligations on the salary and medical side, Mr. Oris questioned where the significant cuts are to be made. And, we have full day kindergarten, which some Councilors will decide not to provide funding for this program. Mr. Oris supports the full day kindergarten program. Adding salary and medical contractual obligations plus full day kindergarten together, he is not sure where the significant cuts are.

According to Mr. Schrumm revenue will be consistent in the future with growth of the grand list.

With \$750,000 out of the budget, Mr. Talbot asked Mr. Schrumm if he is prepared to set a mill rate at 30.54 mills, and asked how the Council gets back to a 30.10 mill rate.

Mr. Slocum commented on the BOE getting a \$1.1 million increase last year, \$1.2 million the year before, and spending per student up 26.7% with approval of the full BOE budget this year.

The Council was told by Mr. Masciana that these costs are keeping up with inflation, which is +4% year average, and includes the transportation contract, medical benefits, and contractual raises.

There was a discussion on the revenue and expenditure adjustments.

Mr. Schrumm wants to decrease the BOE budget by \$1.2 million, and fund the budget at \$1.8 million for FY 2014-15. On the spread sheet, he deducted \$50,000 from the \$450,000 refunding number, brought total revenue and expenditures to \$1,224,212, for a mill rate of 30.24 mills. For every 1/10 of 1 mill there is a savings of \$23; with a mill rate of 30.1 to 30.2 about 48% of the taxpayers will not have a tax increase, and 52% will see an increase in taxes.

With regard to utilities and the RWA increases, Mr. Jaskot will get this information to the Council.

Mr. Milone advised that RWA will not release the requested information to the Town, and Tax Assessor Panagrosso has been back and forth with RWA on this issue.

The Council reviewed the spread sheet further, making the following adjustments – BOE at \$450,000; Property Tax Relief at 0; Debt refunding at 0; total adjustments \$1,174,212, with a mill rate of 30.26 mills.

Fund balance is at \$8.8 million, 8.9% of the operating budget. Mr. Milone stated that the Council has thought about getting the balance to the \$8 million level. After the funding of the bulky waste collection the fund balance will be \$8.3 million or 8.6%.

Mr. Ruocco cited the following questions, issues and concerns.

Overtime – find more cuts; the overtime budget is \$700,000.

No new positions added to the staff other than the Fire Inspector; what is the dollar adjustment.

No increase in part time employee hours; what is the savings.

Reduce 25 hour part time staff to lower than 25 hours per week; what is the savings.

Salary adjustments – cap all increases at no more than 2.3%.

Tax Collection rate – set at 99.1% or 99.2% and keep it there.

Provide an assessment on retirements.

Mr. Milone stated that the 2.3% increase was the average for non-union staff; the Police Department will see a 5% increase with new hires movement with steps. Regarding “retirements” reported that none are built into the budget.

Over the years there has been \$700,000 surplus money used for the operating budget, and Mr. Schrumm stated that this year using another \$300,000 brings this to \$1 million. This will cause a problem in next year’s budget.

Page 168 – Mr. Milone pointed out the graph, with red color as the collection rate used, and blue color as the actual collection rate. Over the last 5 years the Town has used a 99% collection rate, and collected 99.6% to 99.71%. For every 1/10 of 1% it is \$75,000 more in revenue. Cheshire also has tax lien sales which produces revenue.

Page 163 – Surplus in FY 2006, 2007, 2008 was +\$2 million.

Page 165 – 2004 fund balance was at 6%; and it has increased to +8%.

The Council can use some of the fund balance for the tax obligation as revenue in the operating budget. In 2009 the surplus was lower than \$1 million; the Town has been carrying \$700,000 forward the last 2 years; and has used \$600,000 of surplus in prior years.

The adjustment changes, revenue and expenditures, on the spread sheets will be e-mailed to Council members.

#### 4. ADJOURNMENT

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

MOVED to adjourn the special meeting at 9:30 p.m.

VOTE           The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk