

MINUTES OF THE JOINT TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD IMMEDIATELY FOLLOWING THE 6:30 PUBLIC HEARING ON THURSDAY, APRIL 3, 2014 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; Gina DeFilio, Deputy Finance Director; Dr. Greg Florio, Supt. Of Schools; Vincent Masciana, BOE Director of Management Services; Gerry Brittingham, BOE Chairman.

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:

Mr. Milone distributed a handout dated 4/3/14 and a Medical Benefits Trust Fund Utilization Analysis for reference during the meeting.

Handout 4/3/14 page 4 – shows revisions to the State budget, Office of Fiscal Analysis, with a slight change from last week, a reduction of about \$20,000 in the PILOT and Pequot/Mohegan revenue.

Page 5 – Summary of miscellaneous revenue.

Page 6 – Mill rate calculations after Board of Assessment Appeals, final grand list; illustrating 30.7 mills at 99% tax collection rate.

Page 7 - Mill rate calculations after Board of Assessment Appeals, final grand list; illustrating 30.7 mills at 99.1% tax collection rate; as mill rate increases by 1/10th of 1% there is \$82,000 revenue generated.

Page 8 – FY 2015 budget accrued payroll, by department, total of \$51,483.00.

Medical Benefits Trust Fund Utilization Analysis – there is an assumption of a 5% increase in unexpected claims; FY 2015 going from \$2.7 million to \$3.15 million has a cost variance of \$450,000; FY 2016 going from \$2.35 million to \$3.15 million has a cost variance of \$800,000.

Community Pool Insurance Analysis – The total insurance proceeds were \$340,916; use of proceeds was \$183,745; balance of \$157,171; anticipated funds to complete outstanding needs at the pool, \$15,000.

REVENUE & EXPENDITURE ADJUSTMENTS

Revenue – PILOT (\$15,000); Pequot Mohegan +\$3,673; net decrease is \$12,063.

Mr. Milone reviewed the additional revenue and expenditure adjustments which he developed as follows:

Town Council -	\$2,000 reduction for recordings of town government meetings; line item budgeted at \$18,000.
Town Manager -	\$2,000 reduction for conferences; Mr. Milone will not attend the ICMA conference.
Town Clerk -	\$2,500 reduction in overtime to \$5,000 which is still a slight increase from this fiscal year.
Elections -	\$2,000 reduction in line item 5409, land records.
I.T. Finance -	\$2,000 reduction in line item 5106, election workers
Employee Benefits -	\$1,500 reduction in the equipment line item
Human Services -	\$2,500 reduction in unemployment comp. line item 2 positions had hours increased – Senior Services Social Worker remains at 20 hours, savings of \$6,551; Youth & Family Counselor increased to 30 hours, additional salary of \$7,096; \$6,145 in fringe benefits. \$9,000 savings in Human Services Dept. with elimination of hiring outside counselors; hiring Licensed Counselor +\$16,000.
Library -	Temporary part time Librarian holding at 15 hours week; Savings of \$3,303. Program/Materials, 5204, reduction of \$1,500. Total Library savings, \$4,803.
Fine Arts -	Clerk/Typist hours remain at 25 per week; savings of \$3,343. Total savings of \$29,185.

TOTAL ADJUSTMENTS \$701,965

Mr. Milone informed the Council that the aggregate overtime for all departments is \$607,025 in FY 2014. For FY 2015, it is recommended, in the aggregate, to budget overtime at \$632,175, an increase of \$25,150. Of this increase, \$24,500 is in the Police Department, and Chief Dryfe explained the overtime situation to the Council. Mr. Milone did remove \$5,000 from the Police overtime line item. There is a \$4,000 cut in overtime in other accounts. The total overtime reduction is \$9,000.

Total Adjustments - \$1,191,334; 30.25 mill rate; average tax increase of \$132.

Mr. Talbot asked that the Library have an additional allocation of \$8,397 to allow for 12 weeks of Sunday opening of the Library during the winter season. The cost is \$1,100 per Sunday x 12 Sundays = \$13,200, less the \$4,803 cut in the Library budget, is a net cost of \$8,397 for the Sunday Library hours.

The proposed adjustment would now be \$1,178,134, 30.25 mill rate.

For medical insurance benefits, Mr. Jaskot confirmed that for a 30 hour employee there is 100% payment of premiums; 25 hour employee has 75% payment; and 20 hour employee has 50% payment.

The Council reviewed additional adjustments for a total of \$1,260,575, with a mill rate of 30.22 mills.

An adjustment was proposed to the BOE budget for a reduction of \$1,282,441, with the BOE budget funded at \$1.9 million.

In response to a question from Mr. Oris, Mr. Milone explained that the \$410,000 for permit fees (W.S. Development) is included in the revenue; \$450,000 from debt refunding is out.

Mr. Oris asked for a BOE adjustment add back so the number is at \$880,000, and the resulting total BOE budget at \$2.3 million. This would be a total revenue and expenditure budget adjustment of \$858,134, a mill rate of 30.38 mills, an average tax increase of \$162. To get to the mill rate of 30.30 mills there must be an additional adjustment of about \$211,000 in revenue and expenditures.

Mr. Milone commented on there being discomfort in using property tax relief of \$300,000 and bond refunding of \$450,000, and said some of this money could be used to find the \$211,000. However, with the additional \$300,000 out of fund balance plus the planned \$700,000 we would be using \$1 million of the fund balance. This is more than the Council has taken in a long time.

Mr. Oris suggested taking \$100,000 out of each of the two accounts – property tax relief and debt refunding savings. This brings debt refunding to \$350,000, and property tax relief to \$200,000; the total adjustments would be \$1,058,134, 30.30 mill rate, \$144 average tax increase.

It was stated by Mr. Slocum that he does not want to build the base on the BOE too high, as there is another 2.5% increase next year. With the first budget scenario proposed he said the BOE need is being filled for the \$1 million medical expenses and almost filling the need for the other expenses.

According to Mr. Slocum if there were some efficiencies in the BOE budget the Superintendent can come up with the rest of the money. He stated this does not leave funding for all day kindergarten, which is a want more than a need. He wants the BOE budget at \$1.9 million.

Mr. Schrumm commented on the Town managing \$9.1 million in the fund balance, and wanting to get this number lower and use the money for specific items. Using another

\$300,000 out of the fund balance + the \$700,000 already set = \$1 million plus the risk of some of the building permit fees not showing up.

Under Mr. Oris' proposal, Mr. Milone noted that the Council would only be using \$100,000 more out of the fund balance and \$100,000 of the debt refunding. The property tax relief line goes from \$700,000 to \$800,000; and the debt refunding line goes to \$350,000 from the \$450,000. There is \$8.8 million in the fund balance.

Mr. Milone strongly commented on how he does things, thinking about the impact into future years, and a 7 year projection was done on pension and debt because he never wants to put the Town in a tenuous position. He said the Town has a reserve to be used for property tax relief, and this is a year to find other ways for property tax relief. After the last revaluation process the Town used \$600,000; this year he started at \$300,000; and Mr. Oris' recommendation is only using \$100,000 more.

Under the subject scenario, Mr. Schrumm said the Town Council is raising taxes 1.79% for the average taxpayer, which is fair. Others will pay more; others will pay less; and this rate is keeping within the rate of inflation.

Mr. Oris stated his proposal is a 2.12% tax increase, using \$100,000 of the debt refunding savings. As a full day kindergarten supporter, Mr. Oris wants to find a way to be fiscally prudent for the BOE to fund the program, and he said we have to invest in our education system.

Regarding full day kindergarten, Ms. Flynn-Harris asked if the Town is going to wait for the excuse of the program being mandated by the State, when this is the best time to implement the program.

For the funding of the \$1 million BOE medical trust fund, Mr. Oris said this was an understanding between the BOE and Council, and everyone knew this was happening.

The Council had discussed the need to fund the BOE medical benefits trust fund by \$1 million, and Mr. Slocum said the \$1.9 million BOE budget will be the largest increase in many years.

Mr. Oris stated the BOE is implementing something new for the Town, and with a budget of \$2.3 million the full day kindergarten program can be implemented.

With regard to the BOE budget, Ms. Nichols stated that with the cost of \$880,000 to do full day kindergarten, there could be \$300,000 capital expense built into the capital budget for the kindergarten infrastructure, with a cost of \$580,000 in the proposed budget.

Mr. Talbot pointed out that the cuts made by Mr. Schrumm to the BOE budget is a lot less than what the BOE asked for even the increases and \$1 million for the trust fund.

With a \$1.9 million budget, the BOE will not have enough funding to put \$1 million into the medical benefits trust fund.

In that regard, Mr. Schrumm said the BOE and Town must change the way it funds medical payments.

Mr. Slocum said the medical benefits must be funded to \$1 million.

Another piece on the \$880,000 funding to the BOE was pointed out by Mr. Sima who said the BOE is still using \$300,000 of the Town's money in the capital plan. This would be funded through borrowed money, and expansion of the education department is a continuing process, building up the BOE base and it does not go away.

Mr. Milone advised that this will be paid in "cash" from C.N.R. prior project balances. The expense is a one time expense of \$880,000; \$550,000 of it is a recurring expense; \$300,000 is one time capital improvements, and the annual BOE increase will be about \$305,000.

According to Mr. Schrumm this is not free money, but just pushing the expense further down the road.

Mr. Talbot stated it is one-time capital start-up costs and does not come back each year because that is what "start-up" cost means.

Mr. Schrumm commented on spending \$300,000 of capital money on one project that cannot be spent on something else.

It was emphasized by Mr. Talbot that this is making an investment by taking this money. He stated that the Democrat Councilors are not in support of the first budget scenario proposed by Mr. Schrumm.

Different budget scenarios were reviewed and discussed.

Schrumm's proposal – cut BOE budget by \$1,282,441; no use of debt refunding money (\$450,000); no funding for Library Sunday hours \$8,397 = \$1,260,575 total adjustments, 30.22 mill rate.

Oris' proposal - \$1,058,134 total adjustments, 30.30 mill rate.

Regarding the \$880,000 savings from the refunding, Mr. Jaskot explained the debt would be reduced by this number; the Town receives credit; debt service is reduced; and the Town will request front loading the credit.

For some of the C.N.R. project accounts with residual balances, Mr. Milone said he would check them out with department heads, and inform the Council. Three accounts on the BOE side were identified in the March 25th handout for about \$264,000. He

stated that he will be freezing some projects until later in the year, pending receipt of the \$410,000 revenue in permit fees (W.S. Development).

The tax collection rate is a “cushion” and because of the revaluation there could still be appeals from commercial property owners. This would reduce revenue over the next few years. Mr. Milone will keep the Council apprised of any appeals.

For the proposed mill rate increases of 30.20 and 30.30 mills, Mr. Milone reviewed the information on the average taxes to be paid under each mill rate.

March 18th handout, page 12 – at 30.30 mills the change would be \$91; at 30.20 mills the change would be \$114; 48.5% of residential taxpayers would not see an increase in taxes.

Mr. Talbot commented on the fact that we are talking about a swing of between \$100 and \$200, and a small percentage of taxpayers could be under the \$14 range.

This is one year, and Mr. Schrumm said this is adding to the base of expenses, adding to taxes, and people getting credit this year will be hit next year. He questions why taxes should go up beyond the rate of inflation.

Mr. Talbot stated it is time for trust in the Town Manager who is saying there is no risk now, and he is giving the Council the best case for consideration.

Ms. Flynn-Harris noted that the Council is requesting the tax payers to make an investment in the education of our children with the funding of the full day kindergarten program.

The percentage range for the budget is 2.12% down to 1.99%, and Mr. Oris noted that another \$100,000 is needed to get to the 1.99% budget increase. Mr. Schrumm stated a 1.79% increase is fair for this budget, adding \$1.9 million to the BOE budget.

Keeping taxes low is also a priority to him, and Mr. Oris said he supports funding full day kindergarten because it is a cost effective time to do it. He also understands about adding to the BOE base and a larger increase next year, but, he is trying to find a way to get under a 2% budget increase, by finding another \$100,000.

Mr. Ruocco said that if there is another \$100,000 to be found, he wants it out of the 1.79% budget increase. He stated that some Councilors took the programs they wanted, full day kindergarten and Library program, into the budget by paying for them, in part, with surplus money. He questioned whether money will be taken out of surplus next year money to pay for these programs, but believes there will have to be taxes to pay for them.

According to Mr. Ruocco the Town has a spending problem, a high cost of government in labor and salaries, and 80% of the budget is something he has voted against. And,

this year he is being asked to add 6 or 8 full time teachers for a full day kindergarten program, when he is asking for cuts in part time staff. Mr. Ruocco does not have constituents coming to meetings, and is not convinced the kindergarten program is wanted 100% by constituents.

For the \$1.9 million increase, mill rate of 30.22 mills, there was no agreement amongst the Council for support of this budget number.

Ms. Nichols commented on her continued struggle, but sees logic in much of what is being discussed, and is worried about the number being too high. She has no concerns about taking \$100,000 out of the \$300,000, and \$100,000 out of the \$450,000, as a one-time expense, knowing there are ongoing costs for full day kindergarten. Ms. Nichols is more concerned about prudent use of money, and has concerns about there being more room within the BOE budget to raise it above \$1.9 million to the \$2.3 million. She is hearing the arguments, but said there must be trust in the finance people. Ms. Nichols feels comfortable that the finance people have the expertise, which she does not have, and Mr. Milone is not leading far astray in managing the Town. She believes the budget should be below the 2.2% but not as low as a 1.79% increase if money can be prudently used. In the general overall budget of \$100 million she noted the Council is arguing over small amounts of money.

If full day kindergarten is so important, Mr. Schrumm said it can wait another year, when there is not the \$1 million increase in the medical benefits trust fund.

Mr. Oris wants to get the budget under a 2% increase and that is his goal.

The Council was informed by Mr. Milone that one budget can be based on a 1.79% increase, and another based on a budget just under 2%.

Mr. Talbot stated that the Democratic Councilors would have a budget proposal to the Town Manager on Friday morning, April 4th.

Mr. Milone reviewed the scenarios of revenue and expenditure adjustments. He discussed the budget resolutions, separating employee benefits and police, and BOE. For this fiscal year budget, the police budget and employee benefits do not need to be separated out; the BOE budget must have a separate resolution. The WPCD and Community Pool budgets are separate resolutions.

Mr. Milone referred the Council to pages 40, 41 and 101 in the tab budget book which show budget summaries.

The Council decided to hold a special meeting on Monday, April 7, 2014 at 7:15 p.m. to complete the budget process.

4. ADJOURNMENT

MOTION by Ms. Nichols; seconded by Mr. Talbot.

MOVED to adjourn the special meeting at 8:50 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk