

MINUTES OF THE JOINT TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON MONDAY, APRIL 7, , 2014 AT 7:15 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; Gina DeFilio, Deputy Finance Director; Vincent Masciana, BOE 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 distributed two copies of the proposed operating budget – Budget A is the white copy; Budget B is the blue copy.

Budget A

Page 1– discussed last week; there is no additional use of the fund balance; fund balance appropriation is \$700,000, without additional \$300,000. There are no refunding proceeds in this budget from the estimated \$450,000 savings. This budget has the lower increase for the BOE budget.

Budgets A and B each have the same five components – General Government, Debt Service, Contingency, Capital Non-Recurring Reserve, and Board of Education budget is split out under Section B.

Section C – total amount of the budget

Section D – restatement of the mill rate and collection rate, and how much will be generated by the tax rate.

Budget A – mill rate of 30.22 mills, which will generate \$79,982,710 at a 99.0% collection rate.

Budget B – mill rate of 30.25 mills, which will generate \$80,074,548 at a 99.0% collection rate.

Budget A - Page #2 – For FY 2014 the budget started at \$294,000 higher because the budget was amended when the bulky waste collection was done.

Dept. of Education has a 1.9 million increase (decrease of \$1,282,441).

Debt service reduced by \$116,000 which is the normal reduction, and there is no use of the \$450,000 refunding.

Page 3 – detailed summary of all the changes in the proposed budget; difference between Budgets A and B is the lower mill rate, there are changes in the Certificate of Occupancy, Supplemental Motor Vehicle taxes, RWA, which are mill rate sensitive.

Page 5 – representation of every department budget with changes made earlier in the line items; illustrates the differences in the Manager recommended budget and Town Council proposed budget.

Page 6 – changes to the Library and Education budgets; numbers are different in Budget A and Budget B.

Page 7 – Revenue recap shows changes in the mill rate sensitive revenues (Current Tax Relief, Certificate of Occupancy, Supplemental Motor Vehicle).

Page 8 – RWA change is mill rate sensitive.

Page 10 – Fund Equity Tax Relief is zeroed out.

Two other budgets are Water Pollution Control Fund Operating Budget and Community Pool Fund Operating Budget, in Budgets A and B are the same for these two budgets.

### **Budget B**

Sections A and B are the appropriation resolutions; Dept.of Education is split out; this budget has \$66,008,180 appropriated for the DOE.

Section C – total budget is \$103,393,414.

Section D – mill rate is 30.25 mills, which will generate \$80,074,548, at a collection rate of 99.0%.

Page 2 – Shows an amendment to the budget of \$291,000 for the bulky waste collection; General Government/Library has \$15,000 differential for Sunday hours; Education reflects a recommended \$2.3 million increase; Debt Service would use \$220,000 of the proposed \$450,000 refunding to reduce debt service.

Page 3 – detailed summary of all the changes.

Page 4 - Current Tax Levy, Certificate of Occupancy, Supplemental Motor Vehicle and RWA are all mill rate sensitive revenue items.

General Fund Equity is proposed to use only \$100,000 of the extra \$300,000, with \$200,000 remaining in fund balance.

Page 3 - Expenditures - \$13,200 added for Sunday Library Hours  
Debt Service is adding back \$230,000  
Education budget request reduced by \$882,441.  
Gas/Diesel remains the same as in Budget A

Page 4 - Average tax Payer

Budget A, 30.22 mills; real estate and two motor vehicles; tax increase of \$126, or 1.85%.

Budget B – Mill rate of 30.25 mills; real estate and two motor vehicles; tax increase of \$133, 1.96%.

Page 5 – summary of departments identical to Budget A.

Page 6 – differences are Library Sunday Hours, \$13,200; DOE higher increase; Debt service using \$220,000 of the \$450,000 refunding savings.

Pages 7 and 8 – reflect mill rate change for items mill rate sensitive.

Page 10 – Miscellaneous Revenue detail.

Two other budgets are Water Pollution Control Fund Operating Budget and Community Pool Fund Operating Budget; in Budgets A and B they are the same for these two budgets.

#### PUBLIC

Jeff Natale, Cardinal Lane, asked for clarification that the difference in taxes for Budget A, \$126, and Budget B, \$133, is a \$7.00 increase for the average taxpayer.

Mr. Milone confirmed that this was correct.

Mr. Talbot stated that because of revaluation the numbers could be all over the board, but the average tax increases are as stated. Based on what is known, 48% to 57% of residents will have a decrease.

The Council was told by Mr. Milone that Tax Assessor Panagrosso is calculating each of the mill rates for the percentage of taxpayers with a decrease.

Mr. Milone will have a fund balance summary for each of the proposed budgets.

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

MOVED to forward Proposal Budget A to the full Town Council for approval.

VOTE           The motion passed 2-0; Talbot opposed.

4. DISCUSSION RE: ENERGYH PERFORMANCE CONTRACTING FINANCING.

Mr. Milone referred to his memo of April 4, 2014 to Council members regarding the financing of the performance contracting.

There were 5 responses, and Bank of America had the two lowest interest rates and attractive financing.

Option 1 – 2.81%, 16 years repayment period, project cost estimate of \$10,176,548, loan amount/project cost variance of \$381,548.

Option 2 – 2.71%, 14.58 years repayment period, project cost estimate \$10,176,548, loan amount/project cost variance \$1,201,548.

PURA wanted to finance many energy projects; went into the market place; did an RFP; Bank of American was the lowest responder and able to provide discounts that other banks could not provide.

Mr. Masciana noted that 3.75% interest rate was built into the original model, and the difference is about \$1 million over 16 years of the project. The difference between options 1 and 2 is that with option 1, there is the additional funding for work on more projects, about \$822,134 for infrastructure projects. Option 2 has the lower interest rate, 14.5 years without additional infrastructure money. He reported that other municipalities are taking advantage of the savings from the interest rate and doing more projects. Cheshire has identified projects which make sense to get done.

There was a brief discussion about the 14.5 years going to 15 years, and Mr. Masciana said there is the ability to negotiate with Bank of America.

Mr. Sima commented on the sooner the loan is paid off the sooner the Town gets money freed up. He asked about a pre-payment penalty, negotiations after 10 years, and if the penalties go away.

Mr. Milone said the rebate could be used to pay down without penalties. The difference is \$381,000 in option 1, and \$1.2 million in option 2.

The project is expected to provide at least 10% in rebates from CL&P, about \$1.2 million, and it is could be larger than this amount.

Mr. Masciana said the \$1.2 million is calculated as the CL&P incentives goes from standard table use for each project type; and fixed incentives for projects which fit standard table with additional bonus, i.e. Cheshire High School heating and lighting changes with a 30% incentive. There have been negotiations with CL&P for additional incentives.

For the rebate, Mr. Milone said it would be paid one half this calendar year and one half next spring.

Mr. Jaskot informed the Council that additional rebates above the \$1.2 million can be used for additional projects, pay down the lease payments, or there is flexibility if problems are found with one of the buildings.

Other projects can be added to the process, and Mr. Masciana said it is like a change order. For the \$822,000 rebate this money must be used for energy type projects. If there is savings about this number the money can be used for any project. Mr. Masciana said the contract can be modeled out for 15 years, but he is not sure how BOA will be on the rates, and 2.75% for 15 years is easy to do.

Mr. Milone commented on Cheshire being conservative on the rebates, and said they will be better. At the April 8<sup>th</sup> Council meeting there will be two resolutions – the authority to proceed, and resolution to decide on which financial option to approve. The Town Attorney and bond counsel are working with the bank's attorneys on the agreement.

Mr. Masciana stated his preference for option #1 with the larger rebate.

Mr. Oris commented on some of the projects not being done because of the long and lower pay backs, and the fact that this is good use of the money and cheap financing.

With the original model at 2.81%, Mr. Masciana said the Town would have had more projects to do, and there are infrastructure projects such as windows, HVAC, that were cut, and now could be done.

Mr. Milone noted there will also be money there for other unknown surprises.

It was stated by Mr. Sima that there are two major projects, Highland School and Cheshire High School.

## 5. ADJOURNMENT

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

MOVED to adjourn the meeting at 8:05 p.m.

VOTE The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk

