

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING HELD ON WEDNESDAY, DECEMBER 16, 2015, AT 7:30 P.M. IN ROOM 207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410.

Present

Robert J. Oris, Jr. Chairman; Paul Bowman, Vice Chairman; Michael Ecke, Patty Flynn-Harris, Liz Linehan, Sylvia Nichols, Thomas Ruocco, Timothy Slocum, Peter Talbot. Staff: Town Manager Michael A. Milone; Finance Director James Jaskot; George Noewatne, PW Director; Vincent Masciana, BOE, Director of Management Services; Asst. Supt. Of Schools Scott Dietrick; BOE Chair Kathy Heilrich. Others Present: Ed Hill, PBC Member

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. AWARD OF CONTRACT FOR DESIGN FOR CHESHIRE HIGH SCHOOL GENERATOR PROJECT.

MOTION by Mr. Bowman; seconded by Ms. Flynn-Harris.

MOVED That the Town Council approves Resolution #121615-1.

RESOLUTION #121615-1

BE IT RESOLVED, that the Town Council, pursuant to the recommendation of the Public Building Commission, awards the contract for the design of the Cheshire High School Generator Project to Diversified Tech Consultants for a negotiated fee of \$22,000.

Discussion

Mr. Hill explained that an RFP was sent out; 7 responses received; 3 firms were interviewed without known bid costs; following interviews the PBC went back to the 3 firms asking that bids be reduced to \$22,000; and the best firm, Diversified Tech Consultants, was chosen for the award of the project. The Council was told by Mr. Hill that the PBC subcommittee felt the firm would be a good team to work with; they have a good management team with firm partners working on the project; their crew was comprised of more senior level people; the firm identified areas in the school to start the work, studied the electrical services of the school, and found a way to do the project totally.

It was noted by Mr. Talbot that the Diversified Tech bid is \$5,500 off the original bid, and he asked if anything is not being done based on the price difference.

Mr. Hill said Diversified wants to establish a relationship with the Town. Their pricing was good, and PBC is comfortable with the number without sacrificing anything for the project.

Mr. Noewatne advised that Diversified has not done business with the Town prior to this project, and is a new vendor.

This is a very impressive firm, and Mr. Hill stated all three firms were qualified. It got down to the PBC considering Diversified as a good firm to work with, and their senior people working on the project.

With winter weather approaching, Ms. Flynn-Harris asked about starting the project sooner than anticipated, and if all companies were of the same thought about it being completed.

According to Mr. Hill, none of the companies had an issue with the project being completed on time.

Chairman Oris asked about Loureiro and CPS companies doing business with the Town.

Mr. Noewatne knows that CPS has never done business with the Town, but during his tenure in the PW Department, Loureiro has not done business with the Town either.

VOTE            The motion passed unanimously by those present.

#### 4.    FY 16-17 BUDGET PREPLANNING

Before the presentation on the budget preplanning, Town Manager Milone updated the Council on the hearing before the Claims Commission held on December 14th. The Town has been involved with a number of issues with the Dept. of Corrections regarding the prison flows, their malfunctioning meters, back billing since 2006 with under recording of effluent going to the treatment plant, and Cheshire has been underpaid for the effluent being treated.

The hearing was held before the State Claims Commissioner on December 14th, for the Town's claim of \$1.453 million principal and about \$800,000 in interest, for a total claim of \$2.3 million. There is also a claim for 22% reimbursement of \$525,000, because the DOC went about the contracted limit causing Cheshire to conduct a facilities because flow was above the 90% capacity of the permit. If the prison had not exceeded its contract limits the study would not have been done.

The Town is requesting \$2.3 million + 22% of the \$525,000. The hearing started at 11:30 a.m. and went to 4:00 p.m. with a half hour lunch break. Mr. Milone, Mr. Gancarz (Town Engineer) and Attorney Michael Donnelly were present for the hearing. Mr. Gancarz did an incredible job presenting Cheshire's case.

In preparation for the case, Mr. Gancarz came up with incredibly clear charts which told the whole story. They were displayed for the Council. All the information came from the DOC. The chart shows blue lines which represent the amount of flow over about a 5 year period; the red line represents the number of prisoners in the facility; and the point at which the meter was found to be non-functioning. A new meter went in; a second meter went in; and when installed the flow increases could be seen at a time when the inmate capacity dropped by 600 prisoners. Mr. Milone stated that with 600 less prisoners we see increasing flow by 250,000 to 300,000 gallons per day. Throughout this period the prison had major problems with inflow and infiltration and DOC documented all the work they did to control this, and how much they thought they reduced their I&I. Mr. Milone noted the facts - that the prison count goes down by 600; the I&I goes down by thousands of gallons; and yet the flow goes up. This information helped make the Town's case. When the DOC was back-billed based on some flow rate estimates the Town had some compelling information. DOC had information on the daily water usage for each inmate.

Mr. Gancarz went back and did an analysis on the original \$1.43 million billing and came up with \$1.653 million. The \$1.653 million bill was submitted to the DOC, stating the Town had erroneously under-calculated because of the new information received from the DOC based on gallons per inmate.

Mr. Gancarz was on the witness stand for 3 hours and did a great job; the DOC did not have their witnesses testify due to lack of time; there is another hearing scheduled for Tuesday, January 5th which will be about 4 hours in duration. At that point the matter is in the hands of the Commissioner. The Town has 30 days to provide some closing arguments.

Mr. Milone hopes the Commissioner makes a prompt decision, acting within a 3 month period, as the matter must be ratified by the Legislature. If we miss the next legislative session the funding is not ratified, the action is not approved, and the Town would have to wait until the next session or a special session to be an item on the agenda.

The Council was informed that Rep. Fritz is encouraging the Commissioner to make a prompt decision. Mr. Milone said the hearing could not have gone any better. The matter is in the Commissioner's hands, to realize there is a serious inequity here, and figure out the right amount for Cheshire to be paid. One of the State's challenges was "the interest" charge on the principal owed, because the State does not pay interest. Mr. Milone noted the statute is clear; the charge is a user charge, not a tax; and the statute does not indicate the State is exempt.

The bill to the DOC is at \$2.3 million, and if the State recognizes the fact that based on their information there should be another \$200,000 billed if the Commissioner lets that amount be entered. Then the billing would be \$2.5 million. Mr. Milone is pleased the next hearing date is January 5th.

FY 2016-2017 Budget Pre-Planning Information

Slide #1 - Comparative Budget Analysis.

There are five major budget categories - General Government, Education, Debt, Capital Non-Recurring, Contingency. Based on the CPI index average used over the 5 years of 2.12% the budgets were in line with inflation, and the average tax increase was 1.76%. Over the years the Council has done a good job meeting service demands and controlling impact on taxpayers. There has been a significant drop in debt service by 2.5 million; this kept the budget increases to a minimum, and freed up funds to redistribute to BOE and General Government. The Town's average increase was due to increases in pension and medical benefits; there was a significant hit in 2008 for the pension fund, with the Town making up increased contributions.

Slide # 2 - Tax Payment for Average Taxpayer

30.69 mill rate - FY 2015 to FY 2016 average tax increase of #101 or 1.45%.

Slide #3 - Budget Projections

The projections are based on historical grand list growth and no change in the mill rate for FY 2017.

Department Heads re-evaluate every program and service, with cuts made where they can be made.

Tax revenue has the estimated growth in the grand list built in, at .75% assumption; \$618,000 in grand list growth, and \$42,000 less in non-tax revenue, holding the mill rate constant.

Revenues FY 2017 - \$23,363,594; estimated tax revenue - \$82,826,173; total revenues = \$106,189,767; the debt service number is \$7.029 million; revenue balance after debt service - \$99,160,569.

Percentages of Total - BOE (70.03%) - \$68,321,201;

General Government (29.97%) - \$28,238,690;

Allocation of remaining balance of revenue available based on percentages - BOE +\$263,000 and Town +\$112,000. The increase for the BOE and Town would be about .38%; over the last five years the BOE average increase was 2.63% and Town 2.75%.

Slide #4 - Budget Projections FY 2017.

Mr. Milone reviewed the conservative assumptions.

Expenditures in five categories - \$109,887,057

Education Budget increases by \$2.6 million; Town Budget increases by \$1.470 million;

Debt Service is earmarked for a \$200,000 increase; CNR and Contingency remain constant. \$109.9 million budget is a 4.2% increase.

Revenues - \$109,887,057; The Town would have to generate \$3.671 million from the mill rate in order to balance the budget. There is \$644,095 in grand list growth.

Mill Rate/Tax Impact - 32.06 mills, 1.37% increase FY 2017, mill rate percentage increase is 4.47%.

Slide #5 Revenue Budget Projections

Property Taxes - coming from grand list growth and mill rate increase = \$4.13 million.

Mr. Milone reviewed the PILOT revenue, noting the State continues to erode the support to the Towns, and is not making up the municipal tax loss to the statutory limits. Cheshire will get \$153,000 less in State PILOT; \$133,000 in the Pequot Grant. The Town should be getting 100% reimbursement on the prison PILOT, but gets 52% of the real estate tax loss. If fully funded the Town would get \$4 million or \$2.1 million more than is now being received. The Pequot Mohegan grant should make up some portion of the money not paid from the PILOT...in 2008 it was \$3 million...and has gradually eroded down to \$2.154 million...and will continue to decline.

Manufacturers-Machinery & Equipment Program - this provided financial support for manufacturing firms to revitalize this sector of the economy. The PILOT started at 100%, and went down to 40% over time and it no longer exists. In FY 2010 the Town received \$672,000 from this program, and in FY 2017 there is no funding. Over the last 6 years there has been over \$2 million in State reimbursement eroded.

Mr. Milone explained the new grant of \$855,170 which will replace all PILOT Programs and eliminate the Town's mill rate and budget growth. He would prefer the State reimbursement at the 100% level for program.

Town Department Revenue - reduction of \$1.639 million; this is mostly due to the withdrawal of the W. S. Development project, and assumption of building permit fees of \$282,000 in FY 2017.

Town Grants - increase of \$855,170 due to the new State program by sharing a portion of the sales tax with municipalities.

Mr. Milone expressed concerns about this plan, given the fact the State is not on sound financial footing, and the commitment of sales tax revenue to the level needed to distribute \$855,000 to Cheshire. He has concerns this funding will continue to diminish, and the PILOTs will not be increased.

Slide #6

Miscellaneous Revenue decreases by #225,000 - there is a decrease in sewer assessments; streetlight rebate is a one time \$175,000.

Education ECS grants increased to \$9.664 million.

There is a significant drop in building grants, which is State reimbursement towards construction contracts. Most of Cheshire's bonds are paid off so there is a drop in State revenue to pay for that portion of the bonds. This grant money is now received up front.

Miscellaneous Education numbers are unchanged.  
\$700,000 planned to be used in fund balance.

Slide #7

Property Tax Revenue chart, FY 99-00 to FY 14-15. This chart represents property tax revenue as a percentage of the budget over the last 15 years. In 2000, it was 73.5%; in 2016 it is 78.55%; this is +5%, or \$5.3 million. There has been more of a shift onto the property taxpayers.

Slide #8

Other sources of revenue - Education Grants 10.65% of the budget; about a 2.75% reduction or \$2.9 million.

PILOT dropped and has a \$2.4 million impact.

Non-Tax Revenue (fund balance, building permits, miscellaneous revenue) remains constant.

Town Grant Account - increase due to State revenue for new programs, not put into the PILOTs; this is the \$855,000 State revenue promised. This is misleading, as the State is taking money from the PILOT programs, reducing education aid, and reallocating under the State program.

Slide #9

General Government Projections - Town and BOE. There are major categories of expense (Town); look at trends and 3 year average increases in each account as a benchmark and frame of reference to proceed. Salaries have grown under 1.2% over the last 3 years. Mr. Milone and Council will meet to come up with a strategy for contract negotiations. Increases are expected in the salary area (Town); and Contract Services include solid waste collection \$1.6 million, public health services \$500,000, legal services, \$370,000; RWA payment of \$600,000. The solid waste contract will be negotiated for automated solid waste portion of the contract.

Slide #10

Medical Benefits +\$253,000; 7.5% increase; claims doing well this year, and if they hold for the next 3 months there could be a zero rate increase next year. Heart & Hypertension estimated \$100,000 increase; Pension - Town and Fire Department plans meeting the annual required contribution; Police Department must catch up with contribution payments.

Slide #11 Department of Education

Mr. Masciana reviewed the DOE information. He informed the Council the salary lines, certified salaries, is driven by the teachers and administrators contracts; teacher contract is 2.55% increase.

Non-certified salaries - BOE currently negotiating with three unions; contracts expired in June 2015; no outcome to date. Increases in these contracts will impact next fiscal year.

Employee Benefits - last 2 years were difficult due to under-funding the medical claims; this budget will increase, but it is not expected to be too high.

Instructional Supplies - this line item includes special education, and continues to grow.

Support Services - includes transportation contract which will have a 3% increase;

Maintenance and Other - there have been lower utility rates, along with benefits from energy performance contract, low oil rates.

BOE budget is presented on January 7, 2015.

Regarding the certified salaries line, Mr. Talbot asked about the rationale for the big jump to 2.5% increase this year.

Mr. Masciana advised it is projected based on contractually what is in the budget; the final number will be based on staff in-house.

Supt. Dietrick noted the BOE is in year #4 of a 4 year teacher contract, with negotiations for the following year starting in summer 2016.

Slide #12 General Fund for FY ended 6/30/15

The Town ended the fiscal year with under \$1.1 million surplus.  
Fund Balance year end was \$10.5 million; \$700,000 allocated to FY 15 budget;  
\$350,000 allocated to debt service reserve fund; current fund balance is \$9.429 million  
or 9.17% of GF expenditures; 8% of GF expenditures is \$8.224 million; there is a  
difference of \$1.204 million.

Slide #13 Reserve Account Balances

Debt Service - \$6.5 million  
Pension - \$111,000  
Heart & Hypertension - \$843,000

Medical Benefits, Town and BOE - \$2.8 million

General Fund - Fund Balance \$9.43 million  
Water Pollution Control - \$744,000  
Community Pool - \$55,000

These numbers are based on the draft audit. Debt service for the \$32 million plant upgrade, with payment due in 2018.

Slide #14 Grand List Analysis

For every \$1.0 million in property value, the assessed value is \$700,000; at current mill rate of 30.69, and collection rate of 99.1%, the revenue generated is \$21,290.  
To generate \$250,000 more in grand list revenue there must be growth of just over \$9.7 million, or .36% growth.  
Motor vehicle value numbers will be coming from the State, and there may be an extension of filing of the grand list due to the State problems.  
Value of one mill is \$2,678,662.

Slide #15 Percent Growth in Net Taxable Grand List - Other Towns

Cheshire growth 1.05%; highest community cited was Southington at 1.47%.

Mr. Milone commented on the State hurting Cheshire by cutting revenue, and limiting the opportunity to control the Town's destiny...such as more authority to generate revenue. The State creates structural problems in our tax structure. He said we are in a situation where our tax structure is very regressive for our residents. The only hope for relief is a better construct for the way money is distributed back to the towns, i.e. finding a new revenue source. Mr. Milone does not know of anything else the State can do to generate the windfall revenue stream to help the State out of its problems, and if things continue to be ignored it will get worse for all municipalities and residents. There must be pressure on the State on the way people are taxed, giving municipalities more authority to generate their own revenue, and for the State to find healthy sources of revenue which is not there now.

Mr. Milone advised the motor vehicle revenue cap is 32 mills; next year it will be 29.7 mills; the State claims it will make up the tax loss, which he believes will not happen. The State is subsidizing the cap from another source, and it will not erode the \$855,000 revenue to Cheshire. The State also has a cap on the budget growth at 2.5%, with a penalty of 50 cents per every dollar over the 6%.

Slide #16 Five Year CEP FY 2016 to 2020

This is the debt service computation.

With regard to re-financing, Mr. Jaskot said the Town has done well, saving \$5 million of interest in the last 5 years.

Ms. Flynn-Harris expressed appreciation for the presentation of the information being a lot cleaner and clearer than in the past budget information packets.

Mr. Milone commended Ms. Talbot and Mr. Jaskot for putting all the information together for the meeting, and the clearer presentation format.

Mr. Ruocco commented on many of the financial problems being regional, and the Town needing to tow the line on spending as more revenue cannot grow to cover trends. Also, the Town cannot count on the State for any assistance to municipalities.

Mr. Jaskot explained a tenth of a mill will generate \$82,5000 based on the current collection rate. If the rate increases to 99.78%, the increase would be close to \$1 million.

If the Town can maintain the status quo, Mr. Milone said we will be lucky. There is no comfort level until the State has its deficit under control. The State tax revenue is predicated on assumptions which have not been made more conservative...they continue to be optimistic and hopeful. His hope is that aid to municipalities is not cut further, with cuts elsewhere in the State budget.

On January 26th, Mr. Milone informed the Council there will be a meeting with the labor attorney and medical benefits consultant. The BOE members and administration will be invited to attend this meeting.

5. ADJOURNMENT

MOTION by Ms. Flynn-Harris; seconded by Mr. Talbot.

MOVED to adjourn the meeting at 8:55 p.m.

VOTE The motion passed unanimously by those present.

Attest:

---

Marilyn W. Milton, Clerk