

MINUTES OF THE CHESHIRE TOWN COUNCIL AND BUDGET COMMITTEE JOINT MEETING HELD ON TUESDAY, MARCH 15, 2016, AT 6:30 P.M. IN COUNCIL CHAMBERS, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Town Council Chairman Robert J. Oris Jr.; Paul A. Bowman, Vice Chairman.

Budget Committee Chairman Tim Slocum and committee members Michael Ecke and Sylvia Nichols. Council Members Patti Flynn-Harris, Liz Linehan, and Peter Talbot.

Absent: Thomas Ruocco.

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director.

Department of Education: Scott Detrick, Interim Supt. Of Schools; Vincent Masciana, Director of Management Services; BOE Chair Kathy Hellreich.

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. FY 2016-17 GENERAL FUND OPERATING BUDGET.

Chairman Oris welcomed members of the Dept. of Education and Board of Education to the meeting.

EDUCATION

Supt. Detrick reviewed the FY 2016-2017 BOE budget with the Council.

BOE Budget is \$70,507,957 - an increase of \$2,186,756 or 3.20% over FY 2015-2016 budget. This is the lowest percentage increase in the last 4 years coming from the BOE. The FY 2014-15 budget increase was 3.61% and included implementation of full day kindergarten in the school district. The proposed budget is a maintenance budget, with increases in the salary line items, medical benefits, and a few additions.

Student Enrollment - The NESDEC data shows a decline in student population; current enrollment is 4,360 students; projected enrollment is 4,290 students; and the budget is based on this enrollment number. There is a facilities study ongoing which includes enrollment data, and some of it is contrary to the NESDEC projections. Mr. Detrick reviewed the grade levels for which enrollment decreases, noting Dodd Middle School will decrease by 49 students, and district wide decrease will be 70 students. There is a reduction of two (2) elementary teachers in the budget.

Chairman Oris requested the BOE provide the Council with an analysis of enrollment over the last 5 to 10 years, number of teachers, and class sizes.

Ms. Hellreich commented on the analysis for declining enrollment, teachers and class sizes, the inclusion of special education programs, which have more involved issues

and are more costly. She noted the number of students identified special education over the last 4 years has increased.

Class sizes for the upcoming fiscal year are excellent. Next year the projection is 114 teachers.

Chrome Books are purchased for students in grades 9 to 12; and this year middle school students will have chrome books; grant funds have been used for this purchase; 7th and 8th graders receive recycled chrome books.

RAM Band Uniforms - there is a \$60,000 allocation in the budget to purchase band uniforms (jacket, hat, plume) to replace 20 year old worn out uniforms. The band members had pants replaced a short while ago.

There was a brief discussion about the BOE purchasing uniforms for sports teams and extra curricular programs. Supt. Detrick explained that the BOE does purchase and replace uniforms for these teams and programs on a 5-year rotating basis through the Athletic Director. At times, teams and programs do not want to wait the 5 years and purchase uniforms on their own.

Chairman Oris asked for a report on this 5-year cycle of uniform replacement, and said this is the right way to handle the purchases. He wants to insure what is being done for one is done for all.

The Council was told by Supt. Detrick that "Band" is a class at CHS, and students must be in the band to take the class, must have a uniform and march with the band.

Elementary World Language Instruction - The BOE proposes to introduce world language instruction (Spanish) in the elementary schools, phased in over six (6) years, at a first year cost of \$166,800.

A task force was formed in 2014/2015 to study all the options for the world language program. A recommendation was made to the BOE for the program, and it is included in the proposed budget. The BOE and administration visited Glastonbury CT which has a world language program, looked at models across the State, put out a parent survey, presented the recommendation to the BOE and it received approval. The program is included in the FY 2016-2017 BOE budget. There are many benefits to the program; it offers many challenges to the students; the program includes learning the language and culture. Classes will be 30 minutes long in year 1 for grade one; years 2, 3, 4, 5, 6 will have classes for grades 2 through 6; the reduction in two teaching positions will pay for the initial program. Years 2 and 3 will require one (1) additional teacher; years 4 and 5 will require 1.5 additional teachers; and year 6 will require 2 additional teachers. By year #7, the program will have a cost of \$838,970. Once everything is phased in and stabilized the ongoing annual cost for teacher salaries for the language program will be \$720,000. Other annual costs include supplies, texts, equipment, curriculum writing. It is possible the total teacher cost could be less with continued declining enrollment.

There are inflation figures which are not built into the model and Mr. Slocum said this must be kept in mind as the total cost is closer to \$1 million for the world language program. He asked about the effect of the program on other studies, i.e. math, science.

It was pointed out by Supt. Detrick that the MONEY magazine report citing Cheshire as one of the 45 best places to live in the U.S. used the school system as a major criteria. He said Cheshire must be competitive for its graduating students, world language is a staple of education, and there is a time in the elementary school schedule when it can be taught without interfering with other subject areas.

Cheshire is in DRG-B, and 70% of the school districts in "B" offer world language programs in elementary schools.

The Council was assured by Supt. Detrick that "recess" will not be taken away from children for the world language program. He noted that recess is mandated by State law for elementary school children, and technology will be taught in the classrooms rather than labs, which opens up time for world language programs.

Key Details of the Budget - Mr. Masciana reviewed the details of the BOE budget, FY 2016-2017.

Salaries - 61%; \$43,205,756

Benefits - 17%; \$12,259,570

Support Services - 10%; \$6,691,870 (includes pupil transportation)

Instructional Services - 7%; 4.9 million (2% for special education costs, outsource tuition and support services; maintenance/operations \$3.4 million; 41% for utilities/heat)

Per Pupil Expenditure - Cheshire spends \$14,346; State average is \$16,424; Cheshire ranks 125 out of 166 school districts for pupil spending.

ECS Grant - \$9.5 million FY 2016. Net per pupil cost, less ECS, = \$12,246; #2 in the DRG-B.

Budget Increases by Category - \$2,186,657.

Salaries - \$1.318 million; 3.51% increase (includes tutoring by certified staff, instructional assistants special education)

Benefits - \$361,467, 3.04% increase.

Support Services - \$269,256, 4.19% increase (includes Dattco Bus contract, increase of 3% annually and \$100,000 ChromeBooks)

Instructional Expenses - \$146,108, 3.07% increase; reduced to 2% (\$90,000 reduction).

Maintenance and Operations - \$91,347, 2.73% increase; \$680,000 cleaning contract.

Teacher Retirements - at this time the BOE has notification of three (3) retirements; two (2) teaching positions will be eliminated due to declining enrollment; retired teachers are usually replaced by lower salaried teacher.

Union Contract wage increase is 2.44% average each year; teacher contract is 2.69% this year, was 2.55% last year; this is the final year of the teacher contract; and there

must be a meeting between June 20 and July 20, 2016 on this contract. Negotiations are ongoing with Education Secretarial, Instructional Assistants and Facilities groups. The average wage increase is 2.5%.

Medical Benefits - 17% of the budget; Workers Comp./Unemployment \$30,000 increase. Medical Plans - HSA, PPO, HMO; 51% of employees are in the HSA. Employees pay a share of the cost of benefits; teacher plan is HSA, and if people want to go to HMO or PPO they must buy up and pay the difference in plan costs.

Medical Trust Fund - 2010-2014 average monthly claims of \$645,133; monthly contributions of \$582,640; 2015 claims \$645,781; contributions \$604,000; the trust fund is growing again and is at \$1.4 million.

Health Care Reform Act - the plan is in place this year and meets the criteria; employees must be offered adequate and affordable insurance that cannot exceed 95% of wages paid. There is a significant penalty if this criteria is not met. Cadillac tax delayed to 2020.

Instructional Expense \$4.9 million - 62% of this cost is for special education; in FY 2016-2017 the total cost of special education will be \$17,087,092 of 24% of the total education budget; there are 510 special education students in the school district (with an IEP), and this is 12% of the student population.

Maintenance and Operations \$3.4 million - \$1.707 million for building maintenance, repair, utilities etc. There are 3 new boilers at CHS, cost of \$55,000 each. The BOE may need funds from the C.N.R. fund for maintenance expenses in the next year.

Mr. Masciana commented on the age of Cheshire's school buildings...the newest, Highland School, is 45 years old. Capital budget funds will be used to address needs of school buildings. Over the last few years the capital funding requests have been cut by 50%; BOE request of \$23 million was reduced to \$11 million.

The ten year facility study is underway with more information coming to the Council in a few weeks.

BOE Chair Hellreich commented on a \$2 million increase being a large one, but warranted. Cheshire plans to catch up with world language; future declining enrollment will result in one less teaching position; this position will go towards world language program.

Regarding the facilities plan, Mr. Masciana explained that the enrollment projections show 3,600 students in 2020, then the trend reverses. There is expected job growth in the area, attracting more people to Cheshire, 70 new homes built + empty nester homes sold to families with children. The projection is 4400 students in 2025; Highland decreases to 500 students; Chapman and Norton remain the same; and Doolittle increases to 700 students. The company is in the final stages of the study. Options

include building use, redistricting, survey and the final recommendations. There will be a presentation on the study in a few weeks.

In response to a question about new positions or increase in hours in the BOE budget, Mr. Masciana told the Council there are no new positions or increase in hours...there is swapping of elementary teachers.

Mr. Oris asked for a budget report with only contractual obligations cited and projected teacher retirements.

Mr. Masciana will provide this information to the Council. He advised teacher salaries are at \$40 million; transportation is \$100,000 more; cleaning services +\$50,000; medical benefits +\$200,000; the total budget would be about \$1.5 million versus the proposed budget. World Language and Band uniforms are extra items; there are mandated special education programs to be factored into the numbers. Regarding retirements, there was a two-year incentive plan offered, and more teachers took advantage of it, but there is uncertainty about any more retirements this year without an incentive plan.

Stating he believes in a quality education and supports it, Chairman Oris commented on his concerns for this year, the many items to be considered on the capital side, and the large debt service coming in 2018. He noted education is a valued component of the community, home values are impacted by the educational system, and the town is looking at ways to save money.

#### PUBLIC

David Schrumm, 369 Sir Walter Drive, commented on a \$70.85 million BOE budget, which is \$21 million more than a few years ago, with 900 fewer students. He asked about the world language program, 45 minute technology lab time in the classroom, and making room for foreign language. He questioned the percentage of students graduating from CHS with 4 years of foreign language, stating it is between 20% and 24%. Mr. Schrumm said the elementary program would need to be followed through to the high school, and he suggested bulking up the CHS foreign language program.

Ms. Hellreich can get the numbers on foreign language at the high school. She reported that in 2021 high school students must have two years of a foreign language to graduate. There is an increase in students at the middle school and high school taking foreign languages. At Glastonbury H.S. students can graduate with two foreign languages, and colleges are requiring foreign languages for acceptance.

Chairman Oris thanked Supt. Detrick, Mr. Masciana, Ms. Hellreich for an excellent presentation on the BOE budget.

EMPLOYEE BENEFITS: Pension, Medical Benefits, Heart & Hypertension.  
Handouts 3/14/16 and 3/15/16.

3/14/16, page 11 - Mr. Milone reviewed the projected debt analysis 2017 to 2026; column 1 is the existing bonded debt; column 2 is the unissued debt for existing CEP; column 3 is projected new CEP debt; column 4 is the isolation of the cost for the treatment plant upgrade; column 5 is the total of all the components that make up debt service payments; 2017 is \$7,029,198 and 2018 is \$10,504,954. Footnote #5 shows debt going up \$6,828,743; some of the refunding money will be used to keep debt service constant in next year's budget.

Page 12 - Use of Debt Service Reserve (I). This page gives options and ideas to be considered in terms of how to use the debt service reserve to mitigate what will happen in 2017 and ensuing years. It is known that the town has \$6,525,337 in debt service reserve to work with. Mr. Milone explained that staff took the 5 years of money attributed to the WPCD debt service...starting with \$3,559,615 (FY 2018) going down to \$1,703,125 (FY 2019). In the model each amount of debt was taken in each of the 5 years as a percentage of the \$10,222,115. There is a spike in 2018 of \$1,383,913 with moderate increases thereafter in a controlled manner.

Other Fund Sources - Mr. Milone reviewed the potential funding sources which include: WPCD fund balance, \$150,000; increase the transfer from \$650,000 to \$800,000; it would be a one year use.

Energy Performance Rebate, \$730,000; \$100,000 to \$200,000 used as a one-time revenue item.

WPCD dedicated user fee increase; Town Attorney Smith is researching the possibility of this fee increase.

Tax Collection Rate Increase - 1/10th of 1% = \$85,000.

C.N.R. Fund - for one year, dedicate some of the funds as a contribution to debt service, \$100,000 to \$300,000; rearrange and redesign the capital budget accordingly. Total of potential available funds - \$435,000 to \$735,000 available and easily tapped.

Medical Benefits Trust Fund - is there as a last resort.

Page 13 - Use of Debt Service Reserve (II). Follows the rationale of the Option I. In the first option there was use of the increase of the WWTP debt service as the basis for allocating the percentage of the debt service reserve to be used in each of the five years. In Option II, we are looking at the total debt service and not just the impact of the WWTP. From FY 2018 to 2022 and added the five years of the total debt service which is \$48,062,734. Each of the five years of debt service was taken as a percentage of that total. FY 2018, \$10,504,954, was divided by \$48,062,734, and it comes to 21.86%; the 21.86% is multiplied by the \$6,525,337 in the debt service reserve, and there is less money available to be used for the debt service reserve; the increase for the prior year is \$2,149,984; whereas in the other scenario it was about \$1.383 million. Carrying this through 2019 you come up with 19.33% times the \$6,525,337, and we have \$1,261,237 to use. What this scenario does is distribute the use of the debt service reserve on a more even basis; it does not help the year #1 spike

which is better addressed in the first model, using the actual amounts of debt service associated with the WWTP in each of those years.

Page 14 - Use of Debt Service Reserve (III). Because of trying to lower the first year so much, an arbitrary amount was taken. In years 1 and 2 there is focus on the WWTP debt service (column 3) \$10,222,115. Mr. Milone said we are not looking at the debt service as an aggregate total, but looking at the gross amounts associated with the debt for the treatment plant as aggregate totals. There is assignment of 40% use of the reserve in year #1 and 20% in year #2, and it reduces the increase in years #1 and #2. This approach does not leave a large balance for years #3, 4 and 5, and leaves \$2,610,135 to be distributed. The scenario takes the last 3 years of the amounts of value of the debt service for the treatment plant (2020 is \$1.678 million, 2021 is \$1.653 million) as a percentage of the \$4.959 million (left after payment of the first two years of debt service), each was about 33%, multiplied by the balance of what is left in the reserve and the numbers came out under the column Proportionate Debt Service Reserve...\$883,203, \$870,045 and \$856,887. Carrying those across you see the increase from the previous year.

Mr. Milone explained that the ultimate goal was to keep year to year increases as affordable as possible. In each scenario there was a year where it was skewed, and it is year #1. The one thing to conclude is counting on between \$400,000 to \$700,000 in one time offsets, we can go ahead and take a bigger bump in year #1.

These are the options for the Council to consider and make a decision on how to proceed. #1 is, probably, the best one to use, and there can be refinement of the information.

Regarding use of C.N.R. Mr. Milone said \$1.1 million has been consistently budgeted. How it is allocated is the ultimate determination by the Council. Instead of taking smaller amounts, i.e. \$100,000 and using it in the capital budget for vehicles or smaller capital items, it would simply be used to pay down the debt. The appropriation would still be \$1.1 million, but another \$300,000 would not be redirected to pay down the debt service. There must be a look at the effect on other capital budget projects; some may have to be bonded; the cost, and whether it is worth the trade-off.

Mr. Oris commented on consideration of other capital projects to be bonded, and increasing debt service even more.

Mr. Milone stated there would be other funds dedicated to debt service, other than C.N.R., and the Council must decide on how to go forward on this matter.

EMPLOYEE BENEFITS - Tab book, page 47

Increase of \$788,272; Medical & Life Insurance Increase - \$293,000; in this year's budget \$200,000 was used from two different trust funds, and without using that the increase would have netted out at \$93,000, and a 2% increase is being used; Heart &

Hypertension \$200,000 increase; Pension Fund \$249,000 increase, only using \$75,000 from reserve this year.

Page 49 - Components of the Medical Benefits. (\$313,900) Town Manager reduction. Mr. Milone explained the request represented a 7.5% increase in the existing rates, and going down to 2% saved \$177,000. Employee contributions will increase by \$38,000; \$100,000 was used from the medical benefits trust fund. In 2014 the medical benefits account was \$2.951 million; 2015 \$3.210 million; 2016 \$3.163 million; 2017 \$3.456 million. Last year there was significant savings with the medical benefits program; the HMO plan was moved to a self insured plan.

Handout 3/15/16, Page 1 - Last year BOE trust fund had \$205,564, and it is now \$1.4 million; the Town had \$1.807 million, and now has \$1.691 million; total last year of the trust fund was \$2.012 million, and this year it is \$3.187 million. There is two months plus of claims set aside in the reserve.

Page 2 - Claims Experience Town. The report shows the month to month claims; Column (a) is what is paid; (b) is what is expected; the Town is on target.

Page 3 - Claims Experience BOE. Column (a) is what is paid monthly; (b) is what is expected monthly; over time the BOE has amassed \$542,000 more in the trust fund than what was paid out.

Page 4 - is the experience and future trends; the Town could end the year with a balance from \$1.655 million to \$1.863 million.

Page 50 tab book - Workers Comp, Heart & Hypertension. Mr. Jaskot said there is an overall 10% decrease for workers comp for Town and BOE. There is a look being taken at self funding workers compensation due to the size of the Town and BOE. Meetings will be held with the insurance consultant to review this in detail. The CIRMA representative sees this as a threat, and they were aggressive on premium decreases.

Heart & Hypertension - \$350,000 contribution this year, which is +\$200,000 from last year; the reserve fund is declining due to claims exceeding contributions over the last few years. Part of this is one person with a very large claim, about \$350,000 in 2017. Ten (10) people are getting benefits from this fund, about \$100,000 total. This is a self insured program.

Mr. Milone pointed out that the proposed PTSD program being considered by the State would have a huge impact on the Town.

Page 51 Social Security - \$1 million based on payroll; \$15,000 increase.

Page 53 Pension - \$2.4 million this year; \$250,000 increase from last year. Mr. Jaskot explained there are now defined contribution plans for new hires. There had been phasing in of pension contributions over a few years; the rate of return assumption



was reduced to 7.5%; and the Town is where it should be now with 100% required contribution. The Town plan has a \$19,000 decrease this year.

Cheshire Police Department Pension Plan - the Town is still phasing in the contributions, and this year it will be \$150,000 increase. The liability in the plan grows by \$150,000 each year. In contract negotiations this year there will be a look at ways to mitigate this benefit. Defined contribution plan numbers will grow each year with more new hires. The CPD 401(a) plan has a \$13,000 increase from last year. Last year \$150,000 of the pension reserve fund was used to mitigate the fund; this year the Town Manager is using \$75,000 in his budget.

The Police Plan Reinstitution Plan, \$78,000, was moved to FY 2016 to take pressure off FY 2017.

Pension Plan has changed trustees through an RFP process. In reviewing some of the disability retirees, Mr. Jaskot came across a benefit calculation error made by a former actuary for a police officer of \$44,000 over a period of time. The situation is corrected; the Town must restore the overpayment to the plan; this is a non-tax plan. Mr. Jaskot is still looking at options to pursue with the former investment firm.

Attorney Smith stated the obligation to repay the Town does not preclude seeking recovery from other sources.

Mr. Masciana informed the Council that work is ongoing for a consortium from CREC to fund a stop loss program without going through Anthem. A worksheet and background information has been provided to the Council. Many towns similar to Cheshire (Berlin, Bloomfield, Canton, Enfield, Farmington); no large cities are included; as the stop loss insurance is pooled it may represent lower risk pool than the general pool in which the Town and BOE currently participate. The current annual premiums for the Town and BOE are \$600,000. The potential for FY 2016-2017 could be a \$30,000 pickup, and premium increase quote this year is 18%. If we could budget flat rather than a \$100,000 increase there could be a significant pickup. Mr. Masciana stated all the prior stop loss history has been provided to the group working on this issue, and we should know the premium by the end of March. There is a long process which must be followed, including a Council resolution. This could be a long term attractive plan for the Town. The Town Attorney is working on the legal documents being submitted for review.

### Executive Session

MOTION by Mr. Talbot; seconded by Mr. Oris.

MOVED that the Town Council enter Executive Session at 9:05 p.m. to include Town Manager Milone and Town Attorney Smith to discuss land acquisition.

VOTE           The motion passed unanimously by those present.

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

MOVED to exit Executive Session at 9:50 p.m.

VOTE        The motion passed unanimously by those present.

4.    ADJOURNMENT

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

MOVED to adjourn the joint special meeting at 9:50 p.m.

VOTE        The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk