

MINUTES OF THE CHESHIRE TOWN COUNCIL AND BUDGET COMMITTEE JOINT SPECIAL MEETING HELD ON THURSDAY, APRIL 7, 2016, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Town Council Chairman Robert J. Oris Jr.; Vice Chairman Paul A. Bowman; Budget Committee Chairman Tim Slocum and committee members Michael Ecke and Sylvia Nichols. Council Members Patti Flynn-Harris, Thomas Ruocco, and Peter Talbot. Absent: Liz Linehan.

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

Dept. of Education: Supt. Scott Detrick; Chief Operating Officer Vincent Masciana

Guests: BOE members Fabiani and Sobel.

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 2016-2017 OPERATING BUDGET

Budget Committee Chairman Slocum stated this is the final decision making session for the Council. Information will be provided to the Town Manager and staff for development of the budget resolution.

Town Manager Milone informed the Council that CCM informed municipalities today about changes to the State 2017 budget, which are expected to be carried through by the General Assembly. There are adjustments to grants, primarily education grants, and Cheshire's ECS funding has a \$95,044 reduction. There were 3 other education grants that appear to be increasing; with revisions to expenditures and revenues for the Cheshire FY 2016-2017 budget this results in loss of revenue of \$55,045.

Mr. Slocum does not expect we have had the final run on these State budget changes.

There are changes in the Town Government revenue/expenditure - decrease/increase numbers for FY 2016-2017 budget. They were reviewed by Mr. Milone who said they are mill rate sensitive.

Changes

SCCRWA PILOT - (\$9,353)

Certificate of Occupancy - (\$991)

Motor Vehicle Supplemental Tax -(\$13,613)

Municipal Aid ECS - (\$55,045)

Total expenditure adjustments - \$414,157

Total revenue adjustments - \$ 39,533

Total revenue & expenditures - **\$453,690**

Mill rate of 31.52 mills = average taxpayer payment of \$7,248, +\$186 in taxes, 2.61%.

Mr. Oris stated he is not in favor of a 70% BOE and 30% Town Government split, and favors a 62% BOE and 38% Town split on budget adjustments.

It was noted by Mr. Slocum that there has already been a revenue reduction of +\$400,000 from the loss of the W.S. Development project, which has been absorbed by the Town Government budget.

With a split as cited by Mr. Oris at a total adjustment of \$1,193,921 the numbers are: Town - \$453,690; BOE \$740,231. The mill rate of 31.25 mills is a tax increase of \$127 for average taxpayer, or 1.79%.

The Council was told by Mr. Masciana that the BOE also has excess costs for special education which are over budget. There are times when the revenue increase offsets some of the revenue decrease. This year BOE is about \$90,000 over in excess costs over budget...\$750,000 was budgeted and BOE is at \$840,000. Final ECS percentages are not in yet, but he has heard ECS could be 78% for this year.

Mr. Milone said the 70/30 split has been used as a starting point. With the \$300,000 reduction in State aid and the \$400,000 revenue loss from W.S. Development, Mr. Milone explained that there was modification to the Town budget with expenditures cut and revenue pushed up. At no time during this process was the BOE requested to participate in the loss of this revenue...it was all on the Town side of the budget. There was only one time in the past when the BOE was asked to share in reduction of State aid. The BOE has a budget and spends to the bottom line. It was stated by Mr. Milone that he and Mr. Jaskot and Town staff have the responsibility to manage revenue of \$107 million in addition to the General Government budget. Over 10 years for the history of under expenditures on the Town side versus the BOE side, Mr. Milone said there would be a disparate large number difference. Through the Town's under expenditures there has been generation of almost \$3 million of surplus money.

Stating that is a good point, Mr. Oris asked Mr. Masciana about BOE surplus and what is done with the money.

In one year the surplus was turned in and Mr. Masciana said at the end of the budget year requisitions are closed out and they are part of the Town surplus.

Stating that was correct, Mr. Jaskot reported the BOE average is \$100,000 and the Town is \$50,000.

Mr. Masciana explained that at the end of the year money goes into buildings or supplies, but the BOE cannot exceed its budget. Right now the BOE will not go over 80% of discretionary expenses; there are overages in maintenance and special

education; and in May a list will be developed of purchases and expenditures to be made. The BOE will start encumbering whatever dollars remain for work over the summer.

Council Chairman Oris is trying to get through a rough year and find savings wherever possible, and said he is not holding the general government side more accountable for the budget. He commended Town Manager Milone for coming up with savings. At this time, Mr. Oris is struggling to know where the BOE is...where they are for their tipping point...and more than 4/10ths of a mill will impact programs.

Ms. Sobel, BOE member, informed the Council on the BOE primary contractual obligations for FY 16-17. She brought up the \$1.2 million BOE required increase, and cited the following areas of increase: \$983,075, Certified Staff; \$361,467, Non-Certified Staff; Dattco Contract increase of 3% or \$99,000; This totals \$1,443,542 -- less two teachers at \$160,000 and two retirements and replacements at about \$30,000. With replacement of teachers there is no guarantee the \$30,000 will be the safe number. The total number required by the BOE is \$1,253,542. Ms. Sobel would like the BOE and Council to work together, and said the BOE is not an agent of the Town but a creature of the State; the BOE duty is to be responsible for the students of the school system, and bring forward the best ideas for their benefit. She commented on the BOE being fiscally responsible and putting together a budget that works for everyone.

According to Mr. Slocum the Council and BOE are creatures of the State. He is a taxpayer, parent of former students, grandparent of a child now in the system. There are obligations and we all must pay for them. Mr. Slocum commented on the bad financial status of the State, and the Town's charge to maintain programs and services. He noted the BOE is not accepting of the fact that with a funding reduction it will have to address some cost problems.

The BOE is a separate entity and Ms. Sobel said if it goes over budget, members are personally liable. The BOE has the responsibility to state what is good for the schools...will not always get it...but must ask for it.

The Town budget requested three (3) new positions, and Mr. Slocum said they are no longer being considered, and he hopes the BOE will recognize concerns, do with less and responsibly react.

The BOE budget started at \$2.1 million, and it is now down to the needed \$1.2 million, and Ms. Sobel said a lower budget will hurt children in the school system. A \$1.2 million budget increase will not hurt the schools.

Mr. Slocum asked about possible retirements of five (5) teachers as a means of addressing the BOE issues. On the Town side with a retirement the position might be frozen.

Position changes are looked at on the BOE side and Ms. Sobel does not see a blanket freeze with declining enrollment and teacher retirements. She said there are factors involved in the process.

Mr. Milone noted the Town also has contractual obligations and fixed costs. He cited the contractual cost increase of \$310,000; Streetlight Acquisition costs \$103,000; A.J. Waste contract increase of \$36,236; RWA increase of \$40,661...these total \$210,089. There is a pension increase of \$249,614 which must be made to maintain the Town's credit rating and meet actuarial requirements; Medical Benefits fixed cost increase of \$93,569; Heart & Hypertension funding \$150,000; these three amount to \$493,183. The collective amount of all these costs = \$1,013,000.

With a \$1,193,921 adjustment the split would be: BOE @ 70% = \$835,744; Town @ 30% = \$358,176.

Mr. Bowman commented on further State cuts, where they would fall, and how they would be shared in the budget.

Mr. Milone advised that towns will hear from the State in May; the cuts have always fallen on the Town side with reduction in State aid; he would return to the Council with a modified budget showing various contingencies that could be put in place. The Town has suffered the loss of the W.S. Development project revenue. In the past when there was a massive loss of State aid the Town and BOE discussed sharing this burden, with the BOE absorbing some of the loss of funding.

In that regard, Mr. Bowman asked the BOE representatives how they feel about sharing further cuts in State aid. He has concerns about town government being cut to the bone, and then having additional State cuts, which is a realistic expectation. Mr. Bowman is not in favor of risking the Town's credit rating and bonding ability. In a few months there will be discussion about BOE and Town capital projects.

Ms. Sobel said the BOE would have to discuss these issues.

The process for the State funding cuts were explained by Mr. Milone. The State decides on cuts...i.e. \$60 million from PILOT State property payments; it is allocated proportionately based on Cheshire's portion of the amount generated (i.e. 10% of the cut). The formulas that were developed are no longer consistent with the way funding is distributed.

In the past, Mr. Slocum said there was Town freezing of CNR and other mechanisms were also in place.

Mr. Oris noted Cheshire is in good financial shape with some cushions in place, and he said Mr. Milone has done a good job to prepare for the unknowns.

For the BOE pension, Mr. Masciana said the \$42,000 becomes \$4,000 due to an updated evaluation.

The Council, Mr. Milone and Mr. Jaskot discussed and reviewed the expenditures and revenue decreases/increases, mill rate adjustments, percentage split between Town and BOE budgets.

31.21 mill rate - \$7,104 taxes; +\$120 taxes, 1.69%; Split of 38% Town = \$453,690; BOE at 62% = \$740,231.

For a total reduction of \$1,350,750, 5/10ths of mill - Town split \$453,690; BOE split \$897,060 (67.8%).

The five year average tax increase is 1.48%.

31.17 mill rate - (+.52 mills); BOE reduction \$950,000; Town reduction \$453,690; average taxpayer \$7,064; +\$110 in taxes.

Mr. Ruocco raised the issue of the FY 2015-2016 budget, \$105,963,634, and the surplus number.

On page 116 (summary budget book) it shows the surplus of \$408,000.

Mr. Ruocco commented on taxes being based on what we know, the small grand list growth of 1%, small surplus, and spending increase of 1% to 1.5%. He noted the W.S. Development money did not materialize last year, State funding is unknown and could be flat, and we are putting in spending which the Town may not be able to pay for. Mr. Ruocco recommended taking out the spending rather than increasing it. 85% of the budget is in positions, and he said staffing will be affected as there is no other place from which to take the money. He pointed out the Town and BOE have about 800 employees, \$800,000 in spending on these employees for medical benefits, pensions, etc. at a cost of \$+\$90,000 per staff member. The wages and benefits of taxpayers is not growing, and Mr. Ruocco said the Council must be cognizant of what people can tolerate. He would support a small spending increase - a 7/10 reduction in the mill rate.

Potential Budget Revisions FY 2107 - Expenditure cuts of \$1,364,157; budget increase of \$3.148 million, less \$1,364 million = \$1,078,400 budget increase.

Mr. Ecke stated his support of a .52 mill rate increase; he would split a 5.5 budget adjustment, 70% BOE and 30% Town; or a 66% BOE and 34% Town split at 5.5 mill rate increase. He supports a hiring freeze on the Town side.

In looking at the numbers being cited, Mr. Bowman stated he is more concerned about the Town side of the budget.

Mr. Oris reviewed the numbers for a 5/10 mill rate adjustment, with the Town at \$453,690 and BOE at \$897,060.

The Council discussed a .56 mill rate increase: \$1 million reduction for the BOE and \$500,000 for the Town; total of \$1.5 million; adjustments at 66% BOE = \$1,050,000 and Town at 34% = \$453,690.

.52 mill rate increase - 31.17 mill rate - Town adjustment of \$488,690; BOE adjustment of \$925,000.

With a 65% BOE and 35% Town split: BOE \$925,000; Town \$449,157 + \$39,533 revenue makeup; 1.67% mill rate increase.

Mr. Ecke informed the Council that he will propose another budget for consideration at the April 12th meeting.

Increase in taxes for 31.17 mill rate is \$110; tax increase for 31.19 mill rate is \$115.

31.17 mills (.52.33 mill rate increase) = \$1,413,690 total proposed adjustments. BOE \$925,000; Town \$449,157 + another \$39,533 in revenue adjustments. Average taxes \$7,174; +\$110, 1.67%.

Mr. Oris thinks these adjustments are a little deep, he would prefer the BOE adjustment at just under \$900,000 and the Town at \$453,690.

Mr. Milone said the budget being discussed would increase by 1.67%; BOE cut of \$925,000 (65%) and Town cut of \$488,690 (35%).

Councilors discussed a .5 mill rate increase which equates to a BOE cut of \$897,060; Town cut of \$453,690; BOE has increase of \$1,074,309.

Mr. Milone clarified that at 31.17 mills the average taxpayer would have a tax increase of \$110; at 31.19 mills the increase would be \$115...a \$5.00 tax increase difference between the two mill rates.

Councilors Oris, Flynn-Harris, Linehan, Talbot, Bowman, Nichols were in favor of a .5 mill rate increase; Councilors Ecke and Slocum favor a 5.5 or 5.25 mill rate increase; Councilor Ruocco does not support a mill rate increase.

The direction from the Council to the Town Manager is to come up with a budget at a .50 mill rate increase, with the Town's number at \$453,690 and BOE number at \$897,060.

The FY 2016-2017 budget resolution at 31.17 mills will be prepared by Mr. Milone and Staff for Council action at the April 12th meeting.

The Budget Committee will meet on Monday, April 11th, 6:30 p.m. for final review of the FY 2016-2017 Operating Budget.

4. ADJOURNMENT

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

MOVED to adjourn at 8:36 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk