

MINUTES OF THE SPECIAL CHESHIRE TOWN COUNCIL MEETING HELD ON TUESDAY, OCTOBER 17, 2017, AT 7:00 P.M. IN COUNCIL CHAMBERS, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Council Chairman Robert J. Oris Jr.; Vice Chairman Paul A. Bowman; Michael Ecke, Jeffrey Falk, Patti Flynn-Harris, Sylvia Nichols, Thomas Ruocco, Timothy Slocum, Peter Talbot.

BOE Members: Ms. Heilrich, Ms. Sobol, Ms. Fabiani, Ms. Pavano, Ms. Harrigan, Ms. Vatti and Mr. Perugini.

Town Staff: Michael A. Milone, Town Manager

DOE Staff: Supt. Jeff Solan, Asst. Supt. Sean Parkhurst, COO Vincent Masciana

Guest: Carter Winstanley and Dave Barnes from Winstanley Company.

1. ROLL CALL

The Clerk called the roll and a quorum as determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

3. LAND ACQUISITION (Executive Session)

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

MOVED that the Town Council enter Executive Session at 7:06 p.m. to include Town Manager Milone, Mr. Winstanley and Mr. Barnes to discuss land acquisition.

VOTE The motion passed unanimously by those present.

(Town Manager Milone left the executive session at 7:50 p.m.; re-entered at 8:15 p.m.)

(Mr. Winstanley and Mr. Barnes left the executive session at 9:00 p.m.)

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

MOVED that the Town Council exit Executive Session at 9:15 p.m.

VOTE The motion passed unanimously by those present.

4. DISCUSSION RE: IMPACT OF STATE BUDGET ON TOWN OPERATING BUDGET.

Town Manager Milone distributed a packet of information to the Council which shows the impact of the State budget on the Town of Cheshire. The information was reviewed with those present.

I. Governor's Oct. 16, 2017 proposed budget - Attachment 1.

Attachment #1 FY 2018 Budget Analysis – Governor's proposed budgets, May 15, 2017 and revised to October 16, 2017. The variance from the adopted Town budget would be (\$1,114,933).

Mr. Milone noted the October 16th budget is different from past budgets. In the August 16, 2017 budget was to receive \$969,631 in State revenue. In the October 16th budget proposal Cheshire receives revenue of \$13,701,077.

Three basic changes in the October 16th budget were cited by Mr. Milone.

- There is no money allocated for special education.
- ECS grant is kept relatively consistent to where it was in April or May.
- There is a recommendation for a Municipal Assistance Grant of \$6.735M

In total Cheshire is losing about \$4.6M in General Government, and this is being supplanted by the \$6.7M. The Governor is still pushing for municipalities to contribute towards the teacher's retirement fund, with first payment of \$790,000. This is lower than the original \$3.5M; the contribution is phased in; and in 2 or 3 years it could be double the first payment. Mr. Milone said we are looking at a variation of numbers from \$14,816,010 to \$13,701,077. The numbers are ever changing, and the Governor does not have the support of the Legislature.

II. Variance-Revenue Shortfall as of October 3, 2017 - \$(3,802,436).

III. Available Funding Offsets - \$1,618,516

CNR Freeze -	\$ 850,000
Tax Collection .5% increase-	\$ 441,357 (to 99.7% or 99.8%)
Performance Contract Freeze -	\$ 327,516

Performance Contract Freeze would include no additional work or mechanical equipment to schools and Town Hall for operation of new energy efficient equipment, and projects frozen.

IV. Revised Revenue Shortfall - \$(2,183,920)

V. Value of Budget Reductions at Three Levels

2.0% reduction – General Government \$613,715; BOE \$1,402,526; Total \$2,016,241

2.5% reduction – General Government 767,125; BOE \$1,753,157; Total \$2,520,282

5.0% reduction – General Government \$1,534,279; BOE \$3,506,315; Total, \$5,040,594

VI. General Government-Proposed Freeze Without Direct Personnel Impact

Mr. Milone directed town government staff to achieve a 5% reduction in each budget, and in this section he identified the department and reduction percentages and numbers. Total reductions - \$1,114,926 (3.7 1%) of the budgets, without affecting personnel. Every vacant position will stay vacant. Mr. Milone has not met with each department head to review their suggestions; he will do so; and believes more money can be extracted.

There is an estimated savings of \$15,000 to \$20,000 with boards, commissions, committees meeting quarterly rather than monthly as they receive clerical and staff support (overtime). Most town departments are looking at this recommendation. Other than for Planning and Zoning Commission, this plan could work. It is also possible PZC could meet once a month rather than twice a month.

VII. Education Proposed Freeze – Supt. Solan and COO Mr. Masciana

Supt. Solan reviewed the budget reduction scenarios for the school system throughout the fiscal crisis. He said the last thing the administration wants to do in the middle of an academic year is to take students out of classrooms, move people around, and disrupt programs.

Supt. Solan outlined the following.

Significant Impact - there are 9.5 open positions w/medical benefits; reduction of 5 staff members; 1 retirement position not filled; elimination of 2-tier bus route; hold at 80% of budget for non-payroll accounts; total - \$1,064,695; 1.52% of \$70.1M 2018 approved budget.

Supt. Solan commented on hiring one K-8 Curriculum Coordinator in January 2018. He said this position is critical for State testing protocols, and it is difficult to navigate without this position.

High Impact (current status) – 10 open positions w/medical benefits; hold at 60% of budget for non-payroll accounts (in place); elimination of 2-tier bus route; total \$1,455,395; 2.08% of \$70.1M 2018 approved budget.

Severe Impact – 10 open positions w/medical benefits; reduce all extracurricular activities by 25% (winter and spring); hold 60% of budget for non-payroll accounts; hold at 75% of budget for additional non-payroll accounts; reduce building maintenance 10%; elimination of 2-tier bus route. Total - \$1,919,193; 2.74% of \$70.1M 2018 approved budget. Funds could be taken out of the Medical Benefits Trust Fund; BOE has four months of claim reserve.

Mr. Talbot asked for clarification on significant and high impact on the BOE budget. He noted the difference in the two salary positions as only ½ position, at \$75,000, benefits difference is \$6,000.

Supt. Solan explained the piece missing is the hold on non-payroll accounts at 60%. The top item is holding at 80%, and this is for items such as school supplies.

Mr. Slocum asked about the CREC stop/loss program, higher claims, and if the impact of this is built into the information submitted.

Town Manager Milone said the stop/loss impact has increased by about 5%.

It was explained by Mr. Masciana that the BOE had higher claims, and there is \$3M in reserve. There will be no direct effect on the operating budget.

Mr. Ruocco asked about cutting into the extracurricular activities, why this was not done sooner, and the classroom impact with the cuts.

Supt. Solan stated that when the Dept. of Education had its budget proposal reduced, the budget increase was reduced by \$700,000. To mitigate this there was an increase in participation fees for families, and all stipend salaries were frozen from last year to this year. The BOE and community value the extracurricular options, but they do come at a cost to the families. There has been a balance in participation and extracurricular activities, including athletics, music, clubs, etc. and everything else to realize savings.

VIII. Impact of Budget Revisions

Mr. Milone alerted the Council and BOE on some of the impacts from the budget situation.

- Library Reductions – Closed on Sundays; savings of \$19,000 to \$21,000.
- Cheshire Police Department – two vacant positions still frozen; with possibility of another retirement or injuries, overtime will increase.
- Recreation – Fall and Winter seasons will not have part-time employees hired; the savings on the expenditure side will exceed the revenue loss, but how much is unknown.
- Community Pool – cutting staff at the pool affects revenue generation.

IX. Further Options

Mr. Milone reviewed the options to be considered without irreparable damage to next year's budget.

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| A. | Use of General Fund Balance – | \$0-\$400,000 |
| B. | Use of WPCD Fund Balance - | \$0-\$100,000 |
| C. | Use of Debt Reserve - | \$0-\$200,000 |
| D. | Furloughs (5 days-no public safety personnel)
(close Town Hall one day a week or ½ day for
5 weeks). | \$165,783 |
| E. | Mandates/Regulatory Requirements | Attachment IX-E |
| F. | Revenue Transfers to the State | Attachment IX-F |
| G. | Additional Department Reductions (personnel implications) | |

- H. Potential Revenue Enhancements
- I. Potential State Budget Revisions-Executive Authority.

For Items A, B, C, Mr. Milone said anything beyond the amounts cited will create a crater for next year's budget. For Item D, he noted it would be difficult to distribute furloughs throughout the organization; it would be very disruptive; it is easier to close Town Hall for one full or half day spread over a period of time. This would have to be negotiated with the unions, but the option would be layoff of personnel.

IX-E Partial list of State Mandates, Regulatory Requirements and Budget Impact
Mr. Milone reviewed the listing and made comments.

Public Works – there are a number of things in PW imposed last year that are not life or death matters, i.e. permitting and requirements for storm water management, and high cost for many of the items listed. Total \$127,900.

Public Property - \$16,000 cost of items listed.

Cheshire Fire Department – there are safety and inspection requirements listed for CFD that total \$100,000.

There are other expenditures which will be added to this list.

IX-F Revenue Transfers from the State.

Mr. Milone reviewed the annual transfers to the State which is about \$245,000 from town departments. Information is based on last year's transfers. There is \$1.098M in real estate conveyance taxes to the State. We are ¼ into the fiscal year, and the town could withhold 75% of the transfer funding. The Town Attorney will look at the State statutes for a sense of implications for delaying payments or deferring some of the mandates.

IX-H Potential Revenue Enhancements – Mr. Milone commented on the fact that PZC fees have not been increased in about 12 years; Building Department fees and penalties have not been revised or increased in many years; and Police Chief Dryfe is working with the Ordinance Review Committee for CPD to charge for use of a vehicle at extra duty sites. These items could generate \$75,000.

IX-I Potential State Revisions-Executive Authority – Mr. Milone explained that Cheshire has a municipal revenue sharing payment which would be due in late October of \$855,000. Last week there was a town managers meeting which Mr. Milone attended. At this meeting, State Budget Director said the State is hoping to fund \$50M of this program. If this happens, Cheshire loses another \$470,000 in revenue. The Governor's Executive Authority will stay in place if a budget is not adopted by 10/31/17.

X – A and B. Under A, Mr. Jaskot assumed Cheshire loses \$13M which was originally promised by the Governor, which was appropriated in the Town's budget. The line (*) ending pooled cash is the aggregate estimated at the end of each month July 2017 through June 2018.

Under B, there is the assumption of Cheshire having the full \$14M which was originally appropriated. The ending pooled cash would be about \$29.6M.

Mr. Milone informed the Council and public about Moody's Investment Services deciding, on their own, to make determinations about the fiscal health of 58 communities in Connecticut. They called Mr. Jaskot on Friday to tell him they were reviewing various municipal ratings, they would get back to him, and there would be a press release. On Monday, the press release went out, no one called Mr. Jaskot, and no questions were asked about mitigation plans in place for the town to balance its budget. Mr. Milone said that Moody's unilaterally looked at every State municipality for which they have rated bonds...58 of them. Moody's made the determination that if the proposed state cuts were 75% to 100% of the amount of the town's fund balance (Cheshire's is just over \$10M), they put the town on negative outlook and on their watch list. Cheshire's cut by the Governor was \$13M. Towns with more serious ratio of fund balance would be on Moody's down grade watch list.

Mr. Milone explained there was no opportunity for the town to respond, and the determination was made for 58 towns with outstanding bonds rated by Moody's. This makes it look like there are 58 communities out of 169 with a financial problem. To anyone holding a Cheshire bond it would suggest the town has a serious fiscal situation, with no plan or manner of controlling our destiny. Moody's wanted to cover themselves. Ten (10) years ago Moody's got into lots of trouble for misrepresenting ratings of companies with no cash. Their reaction was to change the standards they applied across the board to the public sector...which had no defaults in that recession. The public sector bore the brunt of seeing downgrades for higher standards to get an upgrade. Ten years later, Moody's makes a determination on the quality of the town's credit without calling town officials.

Mr. Milone stated he knew that by the State doing what it did, it would filter down to the towns affecting credit ratings. He hoped the agencies would use more responsibility and professionalism. Moody's issued a press release on nine (9) municipalities which are of concern and on the negative watch list.

The Council was told by Mr. Milone that last week there was a call from an investment agency that buys Connecticut municipal bonds. The investor asked questions for 15 minutes on how Cheshire is dealing with this problem...this is the responsible way to handle the matter. Cheshire is on the Moody's watch list with other AAA rated communities. Mr. Milone advised that Cheshire is no longer rated by Moody's as the

town stopped six years ago...but they still hold bonds rated from years earlier. This is the reason Moody's felt justified to make a statement on the quality of Cheshire's trend.

5. ADJOURNMENT

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

MOVED to adjourn the special meeting at 10:00 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk