

**MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON TUESDAY, MARCH 21, 2017, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410**

Present

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

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Gina DeFilio, Deputy Finance Director; Donna Ouellet, Deputy Treasurer; Jeff Solan, Supt. Of Schools; Shawn Parkhurst, Asst. Supt. Of Schools; Vincent Masciana, COO, Dept. of Education. Board of Education Members: Cathy Hellreich, Chair; Kathryn Fabiani and Anne Harrigan.

**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. PROPOSED F.Y. 2017-2018 OPERATING BUDGET.**

**EDUCATION**

Budget Chairman Slocum noted page 1 of the BOE budget book, the update of the spending freeze, and the BOE budget number for FY 16-17 at \$68,975,708. This number reflects the freeze of \$419,802.

Supt. Solan distributed a copy of the BOE power point presentation to everyone present at the meeting. He stated that the teachers' contract arbitration award will be reflected in the BOE budget with savings from the settlement. For the BOE budget process, Mr. Solan met with PTO groups, residents, parents, and the streamlined budget focuses on the student, filtering of staffing, programs and services to maintain fiscal efficiency. Some of the information stated in the presentation comes from the New England School Development Council data.

Student Enrollment - FY 2017-2018. Projected number is 4,200; a change of 109 students. In 2021 the projected enrollment is 4,000 students, and staffing has been done correspondingly.

There will be 103 elementary school teachers next year due to declining enrollment. There will be eight fewer elementary teachers next year; this means termination of some staff members; and it is built into the operating budget. At this time there have been no teacher retirements submitted to the administration.

Average elementary class size is 18 students; primary grades a smaller; 6th grade averages 22 - 23 students; 7th and 8th grade average is 23 - 26 students.

Key Budget Assumptions - Chromebooks for 9th graders - \$75,000. K-6 Technology Coach for STEAM, Robotics, Coding; Elementary World Language Phase-in, Grade 6 that is funded by reducing Library program; two (2) new positions in mental health for increased social emotional support resources - Social Worker at Dodd and School Counselor at CHS; special education staff with two (2) additional resources offset by reduction in tuition for outplacement students; Reduction in medical benefits under new union contracts, cost saving measures, increased HSA enrollment.

Mandates - Supt. Solan reviewed the list of unfunded mandates from the State of Connecticut, and the newest mandates which require better and more training, costing money and time and energy.

Elementary World Language - 6th grade Spanish provided by 1.4 teachers; funded through reduction in Library staffing in grade 6.

Mr. Slocum commented on the BOE proposing five (5) new positions.

Mr. Masciana said this is offset by the reduction in outplacement tuition line item; the offset is not staff to staff, but tuition reduction.

Regarding tuition, Supt. Solan advised that Cheshire is looking to other school systems to operate as a vendor for their students with tuition payment.

Social Emotional Support - the need was expressed from teachers and administrators; supports the district goal to develop strong social-emotional skills in students; parent and student focus groups shared this need as a priority. Cheshire has 22.6 mental health providers; 22.6 students per one counselor; adding two (2) positions could get Cheshire to the average in DRG-B. Supt. Solan said there are enough student demands for this service; there are enough students reporting on anxiety issues for this proactive program.

K-6 Technology Coach - Supt. Solan commented on problems with reading and math specialties and coaching demands on technical issues. It is better to have a teacher coach work within each elementary building, focusing reading and math specialties, and helping teachers with technology issues.

Budget Reduction Measures - reduce staffing, 6.1 certified positions and 2 Instructional Assistants; freeze or reduce accounts; Health Savings Accounts/Self Insurance; Multi-function printers and managed print services; Energy purchasing; Consortium Purchasing.

Supt. Solan stated that the staffing would be - two (2) Mental Health Providers; two (2) Special Education Teachers; One (1) Technology Coach; staff is not being increased by five (5) people, but nets out to zero; the BOE is not adding three (3) people beyond what the system has now.

Budget 2017-2018 - \$70,831,288; increase of 2.07%. Supt. Solan briefly reviewed the BOD budget recommendations history from 2013-14 to 2017-18. Line item changes for FY 2017-2018 of \$100,000 or more included Teacher Salaries, Special Education, I.A. Salaries, Maintenance, Pupil Transportation, Textbooks and Software and Employee Benefits. Supt. Solan noted the budget does not reflect \$207,434 arbitration savings or \$38,527 pension increase; adjusted budget increase would be 1.83%. 50.2% of the budget is spent on certified salaries, and this included administrators. There are 391.9 employees in the certified group (teachers, administrators, special education directors and supervisors, student activity stipends, substitute teachers, homebound tutoring, adult education). Administrative costs could decrease slightly with a new Superintendent and Assistant Superintendent at lower salaries. Teachers' increase is 3.54% including added special education staff; no increase in substitute teacher payment; homebound tutoring up \$25,000; \$21,910 increase in music programs for CHS, a stipend for instructional music, winter guard, marching band, choral and other music programs; stipend to certified teachers for extra-curricular activities and coaching.

As part of the teachers' contract and arbitration, Supt. Solan advised there was an agreement of review all stipend positions. Next year's budget remains at zero for stipend positions; the process will be reviewed and determination made whether staff is required for all or some of the activities.

Staffing Position Report - 395 certified teaching staff for 4,551 students; 11.54 ratio; for DRG-B Cheshire is at the bottom of the list of school systems; Cheshire is not loaded with staff; enrollment is declining; staffing is declining.

Supt. Solan stated that the Cheshire staff is dedicated; kids are ready to learn; parents are very supportive; we continue to fund success, and the school system budget is lean.

Administrative Staffing Report - Cheshire has 4,551 students, 20 building administrators, Special Ed Supervisors, Central Office Staff of 4 people; total 24 staff; student ratio of 189.63, which is on the lower edge.

Non-Certified Staff - budgeted at \$9,004,459, of 12% of the budget; these people provide services to students...Secretaries, Instructional Assistants, Custodial Staff, BOE Bus Drivers, Media Specialists, Health Service providers.

Instructional Assistants - have been increased one to one for I.A. (mandated); with more students with special needs coming into the district, more students needing services, there is a net increase of 14 I.A. positions projected for next year. This is a 15% increase.

Secretary Contract is still in arbitration and is not yet settled and may not come before the end of this fiscal year.

Mr. Talbot asked about where Cheshire stands in DRB-B for certified and non-certified staff versus other school districts.

Supt. Solan will get this data and inform the Council.

BOE Chair Hellreich commented on the number of I.A. staff being driven by the special education student population requirement within a district.

Cheshire had a big swing this year with more special ed students moving into the district, and Supt. Solan said the student IEP must be enforced, and costs can be exorbitant.

Mr. Masciana said the special education pressure continues to climb; it is mandated; the district does a good job providing needed services to the students; the costs of these services affects other parts of the budget.

Employee Benefits - 16% of the budget; this includes pension plan for non-certified staff which continues to increase in contributions; next fiscal year the contribution is \$71,000. Workers Compensation, Social Security, Unemployment, Life Insurance, Disability Insurance are in this line item. Workers Comp increase will be about 6.56%. Medical Benefits show a slight decrease; other line items have not changed much.

Medical Benefits - teacher annual deductions are the same; co-share will be 10.5%; after meeting deductibles of \$2,000 or \$4,000 there is co-share for prescriptions. Teachers are in HSA, PPO or HMO Plans; costs have increased across the board with BOE costs reduced.

Cheshire Administrative Personnel start negotiations in the Fall of 2017; the desire is to get all the groups in the same plans which will help reduce administrative costs.

Health Savings Accounts (HSA) - 287 out of 478 employees are enrolled in the HSA - this is 60% of employees; those not in the HSA have a buy-up; employees not taking medical benefits get a waiver that will eventually go away; medical benefits decreased by \$609,000 based on lower claims, stop/loss moved to CT Prime; cost increases are below the 4.7% national average; next year medical benefits line item can be reduced by about \$600,000.

Medical Benefits Trust Fund - has grown from a low of \$205,000 to \$2.5 million; it is now just about \$2.3 million due to high February claims; some stop/loss is paid against high claims; budget next year will be flat, claims vs. contributions.

Instructional Expense - \$4.5 million; 6.5% of the budget; tuition placement reduced by \$400,000; there is a new program at Doolittle School called "Bridges" which keeps students in district and reduces future costs. Cheshire is looking to bring in outside students to this program on a tuition basis if they are a fit for the program. Special ed continues to provide high quality service. Bridges is a full school day for special ed students with social emotional needs. The team decides if a student is fit to enter this program. There were start up costs for the Bridges Program; outplacement costs is above and beyond what was paid to implement this program in the district; and it is

better to educate the students at a better cost. Keeping special education students in town is beneficial to the students. There is no decline in special ed enrollment; it is 533 students; and could go above this number.

Textbooks and Software - increase of \$200,000; new math program, K to grade 5 is covered under this line item.

Support Services - \$6.667 million requested; Transportation is \$3.9 million provided to students through age 21. Insurance line item remains flat; transportation costs include \$1.75 per gallon for fuel. Capital Equipment includes Chromebooks for students in 9th grade to use through 12th grade and then turn in the books.

Maintenance and Supplies - \$3.5 million; 5% spent on buildings, cleaning, repairs, heat, utilities, supplies and equipment. BOE wants to increase maintenance and repair line item by \$169,000. CNR fund at \$185,466 balance.

Projected Revenue - \$10,513,213; \$9.4 million ECS funding; \$575,000 Special Ed Excess Costs; without these revenues the burden on the average Cheshire taxpayer would be \$897 in additional taxes per year.

Per Pupil Expenditure - Cheshire pays \$15,236, which is on the low end of DRG-B; Cheshire ranks #120 out of 166 school districts; State average is \$17,085; \$16,340 is the average per pupil expenditure in DRG-B. If Cheshire had an average PPE, it would cost the town \$4.86 million more per year. Cheshire provides an excellent education at the best costs.

Supt. Solan reiterated that the administration and staff are trying to move the budget down, and things added focus on the social and emotional learning for students. Mr. Solan cited his concerns about further reductions from the State, the impact on programs, students and staff.

Council Chairman Oris commented on two significant savings in the BOE budget...\$400,000 in instructional expense and \$600,000 in medical benefits. Both of these line items have not reduced that much in the past, and pulling them out he questioned the budget increase at 1.4% when the BOE is looking for a 2.07% increase. The increase would be, technically, up by over 3% without these savings.

Mr. Masciana said the \$600,000 medical benefits savings is to be carried into the future. He said the \$400,000 is not savings and is not incorporated into the 2.7% budget increase. Medical benefits is a function of the changes made to the contract.

Supt. Solan stated that for the \$600,000 there was work done to save that money. Tuition reduction was more fortunate; dollar savings there is offset by money to be spent on additional Instructional Assistants for the Bridges Program extension.

In the past the BOE has not had \$600,000, and Mr. Oris said without that money the increase would be at 3%. The reason for the small budget increase is the one time benefit of the \$600,000 to offset the budget increase.

Mr. Ruocco said the question is what is to be done next year...the BOE must have \$600,000 next year.

Mr. Masciana replied that the BOE expects to have \$600,000 next year.

According to Mr. Talbot the BOE is dealing with less revenue than last year, and this is not reflected. It is more than \$600,000; BOE is dealing with a significant revenue loss on top of having the \$600,000.

Regarding the BOE losing \$1 million in revenue, Mr. Slocum reported that many people in the community have heard that sports and other programs are threatened by the budget. He asked about the BOE having the actual costs of these types of programs in its budget. Also, we are looking at over 20% of the teacher pension contribution which will go up each year. Mr. Slocum noted there has been talk of a supplemental tax bill, and said we must look at the system and how to pay for it. Under the worst case scenario the Council and BOE is thinking about what happens...is there a plan in place by the BOE and school administration.

Supt. Solan said the numbers are lean; a \$1 million cut will be reflected in larger class sizes, sports and everything else will be on the list; and there are realities to be looked at.

Ms. Hellreich said class sizes will go up; 20 students in lower elementary classes, and 25 in the higher elementary classes; programs such as music, sports and extra-curricular activities will be considered; and with a \$1 million cut the BOE has not other choices.

In looking at cuts in other school districts, Supt. Solan said Cheshire already does these things...pay to play fee...and further cuts will affect class sizes.

The BOE and Council were informed by Mr. Slocum that the Town of West Hartford is looking at taking a big hit in their BOE budget and a high number of teacher layoffs. He hopes the BOE has a plan in place for Cheshire. Mr. Slocum stated that parents have an expectation of elimination of sports, band, music programs, etc. particularly if the teacher pension contribution goes through.

Chairman Oris asked that the Superintendent and the BOE provide the Council with the list of proposed items to be cut from the budget and associated costs.

Supt. Solan said the priority is the academic learning experience for the students. Cuts will be evaluated and the BOE and staff is cognizant of the programs and where to go

forward. He stated the Council makes the decisions in the best interests of the community, and the BOE will have to handle the impact keeping its goal in mind.

Ms. Fabiani stated the BOE is sensitive to the issues, and asked why the Council would focus on the list. Another State cut of \$1 million or more, she questioned what the Cheshire school system would look like...and what the list would be for this year's budget.

The BOE has given their list, and Mr. Oris said it is already out there getting people upset and emotional. He wants to know the totality of what everything means in terms of dollars and cents.

It was noted by Mr. Slocum that the Town Manager's budget does not include the possible \$3.5 million contribution to the teachers' pension plan. The current budget incorporates proposed State cuts in the budget presented to the legislature.

Mr. Oris stated the Council is looking at this and the impact of a potential supplemental tax, and this is a different budget year for obvious reasons. He noted that he is pro-education, with a strong and continued support of education, and said the best thing in the community is the future of its education. We are in crazy financial times; we must understand the big picture and its effect on the local economy, the Town's credit rating; and people being unable to afford an additional tax of \$300 per year. Mr. Oris said the Council must make the best decisions in the best interests of the community, including the school system. He hopes we do not get to the scenario where the BOE must make cuts.

There is a public hearing on March 29th and Mr. Slocum said the BOE must be prepared to have some statement on what would be done with the budget.

At the BOE workshop budget meetings, Mr. Masciana said there was a list prepared, without line item costs, and he will share this with the Council.

For the town government side of the budget, Mr. Slocum said the list would include the item, associated costs, and cuts across all departments and services.

It was stated by Mr. Oris that the BOE sent out an e-mail about sports to be eliminated with budget cuts, and cited names and numbers of three Council members to be contacted. He said the Council is trying to be positive for the entire community, and especially for the children in our school system. Mr. Oris does not want the list and costs published; he wants the Council to look at the list; and the BOE to have a perspective on the impact to the school system.

(Ms. Flynn-Harris and Mr. Bowman left the meeting at 8:00 p.m.)

It was further stated by Mr. Oris that there needs to be a dialogue between the Council and BOE, with collaboration as a group during these tough times with minimal impact on the services and the taxpayers.

Supt. Solan expressed his appreciation for the support of the Council and Mr. Oris. He said this is a difficult time, parents understand this too, and fear and emotion are brought out; and some parents will support the BOE budget.

Budget Chairman Slocum thanked Supt. Solan and Mr. Masciana and the BOE members for their participation in the arbitration process, and said the Council is grateful for the outcome.

### PUBLIC COMMENTS

David Schrumm asked about the supplemental tax increase after the State's budget decision in May or June, and if there could be two figures for the Town budget. Once the budget is set, it cannot be increased; it can be decreased; there would be an assessment on the taxpayers to make up the \$3.5 million; and he asked about more cuts on the BOE and Town side. After approval of the Town Budget on April 12th, Mr. Schrumm said the budget can be reduced, and people in town should know what is going on.

Mr. Milone stated this would necessitate discussion with the Town Attorney.

Mr. Oris said there are ways to avoid a supplemental tax bill, and the Council will discuss this issue during the budget process.

(Mr. Ecke left the meeting at 8:25 p.m.)

Mr. Slocum thanked Supt. Solan, Mr. Masciana and the BOE members for the budget presentation to the Council.

### **EMPLOYEE BENEFITS: *Pension, Medical Benefits, Heart and Hypertension***

Mr. Milone distributed the handout for March 21st.

Page 49, detail budget book - Medical and Life Insurance.

Page 1-handout - Insurance Trust Analysis. Ms. Ouelett worked on this analysis. Mr. Milone said the analysis does not show the stop/loss reimbursement for March 2017; it is probably overstated a little bit for the BOE. The BOE fund balance was \$2,398,576 without money from the stop/loss insurance. The Town's fund balance is \$1,717,371.

Page 2 - Three Year Analysis (Town) - Paid claims by month; (a) is what the Town pays each month; (b) is what is expected each month; the variance is self-explanatory; Town is \$156,000 under expected claims.

Page 3 - BOE Three Year Analysis - through February 2017, BOE paid \$5,667,391 in claims; expected was \$5.8 million; BOE running \$132,000 under projections. Mr. Masciana reported that the BOE had high claims history in February, with some offset by stop/loss (about \$80,000).

Page 4 - Five Scenarios/Insurance Trust Analysis - Ms. Ouelett takes five scenarios; it is an accurate representation of where the Town ends up; even with the worst claims in three years the fund balance will be \$1.5 million, and a possible \$1.89 million.

Page 5 - BOE Insurance Trust Analysis - low would be \$2.232 million; high would be \$2.584 million. The Town is using \$150,000 from the trust fund for the budget. Mr. Masciana stated the Health Service Account participation will reflect a better fund balance.

Mr. Ruocco asked about the \$1.5 million projected surplus, and what this should be.

Mr. Milone said it should be at least two months, and BOE is talking about three months. It goes back to the expected, page 2, and the town's expected is \$278,000, and times 3 = \$900,000; times 2 - \$600,000. This is the cushion, and both BOE and Town have good cushions.

Mr. Ruocco asked if this money is just left there.

That is up to the Council. Mr. Milone said money can be taken out and appropriated as revenue or an offset somewhere else...and not use it to reduce medical benefit expenses so there is not a bigger hole next year. It is a source of funding that does not have to be used to further take the gross and reduce it.

Mr. Ruocco asked if the money can be used against recurring expenses or debt service reserve, or added to CNR.

The money can be used as a fund balance, and appropriated to anything, and Mr. Milone said \$200,000 can be taken out without reducing the operating budget by \$200,000.

Page 6, columns L and M - shows how the debt service has been going down.

Page 7, column A - represents where we are using the five-year distribution; Column A - 4 year distribution; column E - additional savings realized in each of those years, if debt service is spread reserve over 4 years and not 5 years.

Mr. Milone said the problem in going from year 4 to year 5, Column D shows an increase of \$1.7 million. Column F - arbitrary savings distribution - this is where we go to subjectively pay with the numbers to smooth it.

Page 8 - Personnel Revisions - this is a response to Mr. Ruocco's question about medical benefits savings with these revisions. Total reductions for medical benefits would be \$57,853.

It was pointed out by Mr. Ruocco that the Media Coordinator is a \$64,000 full time position for a year; it is funded at half year in the analysis.

Mr. Jaskot reviewed pages 9 through 21.

Page 9 - pension valuation done July 2016 and it was recently received by the Town. Was not more favorable news because June 30, 2016 there was a dip in the market. Some plans, Fire and Town, had favorable experience; this means people retired later than projected, or died sooner, or wages were not as much. Firefighter Plan contribution last year was \$270,278; this year reduced to \$257,000.

Page 10 - this is where the plan is going; employee contributions over the next 10 to 15 years; there is moderate growth going forward.

Page 11 - Town and BOE. \$1,773,905 contributions paid this year; next year \$1,825,373; this is a slight increase.

Page 12 - Town and BOE. Shows where the plan is going; this is a closed plan; there was a catch up, phased in and on track.

Page 13 - Town Pension Allocation, FY 2017 and 2018. This illustrates how increases affected Town vs. BOE; Column #2 last year's contribution of \$1,773,905; Column 4 shows \$1,825,373 for 2018; total increase of \$51,468; BOE portion is \$40,489. The BOE portion includes the special revenue fund, The Cafeteria Fund; difference between the General Fund BOE \$744,273 and this year \$783,024, there is an increase of \$38,751.

Page 14 - Police Plan. This plan is still being phased in; difficult to get caught up; \$1,302,765 last year; will increase by \$150,000 to \$1,452,765.

Page 15 - Police/Highlights/Summary - there are 4 or 5 options; Town is using the first column \$150,000 increase in contributions; in 2039-2040, \$2,673,000 is where the Town is caught up to where it needs to be, 100% actuarial contributions, with only \$150,000 annual contributions. \$300,000 contribution increase would have plan caught up in just two years.

Mr. Jaskot advised that the plan does affect the Town's credit rating. Agencies want to see the plan caught up as soon as possible. Some benefit changes can be negotiated which will impact the picture differently.

Mr. Milone said if we are successful in capping the pension benefits, these numbers will change dramatically.

Going to a \$200,00 annual contribution, Mr. Jaskot said the agencies would recognize the Town is making an attempt.

If money can be squeezed through any surplus, Mr. Milone asked it be committed to Mr. Jaskot for the plans.

Two plans are where they should be, and Mr. Jaskot said their increases will be modest; the CPD plan must be phased-in.

Page 16 - Other OPEB Benefits.

Mr. Ruocco went back to page 14, and asked if the \$1.452 million is the current contribution to the police pension.

This is in the budget and Mr. Jaskot said it is \$150,000 increase from the prior year.

OPEB Obligations - two big pieces are the police post retirement medical and retired teachers participation in the plan...which drives up plan costs.

ARC 2017, \$711,806 - shows how much the required contribution is for OPEB benefits; column 1 is Police VEBA; \$500,000 is now contributed to VEBA; benefits are now paid on a pay as you go basis; this year the benefit projection is about \$450,000; contributions are also being made to the trust in excess of \$50,000; there is almost half a million dollars going towards the \$711,806.

A few years ago the Town was only contributing the \$50,000, paying benefits out of the trust, and this was stopped. Mr. Jaskot said there is more burden on the general fund now. Another big piece is the teachers, \$992,803. Teachers are not Town employees but are paying for their insurance...but not for the additional cost of having an aged group in the health plan.

Mr. Jaskot noted the rating agencies want to see funding these benefits at 100%; Cheshire is far from this percentage; an additional smaller funding would help in this regard. During CPD negotiations their OPEB trust has depleted to the point where it cannot be tapped into anymore. There is agreement to take this piece and look at it separately after the contract is finished. It is hoped to come to some terms if CPD wants to keep this plan going, and it will take effort by the Town and participants. There is limited post retirement benefits for some union groups; it is capped at age 65, with maximum \$2000 to \$2500 coverage a year for maximum of 5 years or age 65.

For the BOE people, Mr. Masciana said they are the pre-Medicare eligible teachers. They were not eligible because of being hired or retired pre-1987; they stay in this medical benefits plan until death; they are not eligible for Medicare.

Pages 17-21 - Second Quarter Financial Report.

Page 49 Budget Book - Mr. Milone stated that medical benefit numbers are going down by \$193,000; \$150,000 of that is use of the trust fund; it is hoped for better news from the consultant with lower rates. The trust fund money can be used for purposes other than the medical benefits trust fund.

Mr. Jaskot commented on the defined contribution plans; each year with new hires the plan contributions increase; it is budgeted at \$270,000, up from \$228,000 last year; and this will increase each year.

Next meeting Wednesday, March 22, 2017; Executive Session at the start of the meeting with Town Attorney Smith.

#### **4. ADJOURNMENT**

MOTION by Mr. Talbot; seconded by Mr. Slocum.

MOVED to adjourn the meeting at 9:05 p.m.

VOTE           The motion passed unanimously by those present.

Attest:

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Marilyn W. Milton, Clerk