

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON THURSDAY, MARCH 14, 2019, AT 7:00 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Robert J. Oris, Jr. Chairman; Paul A. Bowman, Vice Chairman; Timothy Slocum (Budget Committee Chairman), Patti Flynn-Harris, Sylvia Nichols, Thomas Ruocco, Peter Talbot, David Veleber.

Absent : Jeffrey Falk

Staff: Sean M. Kimball, Town Manager; Arnett Talbot, Assistant Town Manager; James Jaskot, Finance Director; Police Chief Neil Dryfe

Dept. of Education – Superintendent of Schools Jeff Solan, Vincent Masciana, COO

BOE Members: Sandy Pavano, Ann Harrigan, Kathy Hellreich

1. ROLL CALL

Chairman Oris called the special meeting to order at 7:01 p.m.

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 FY 2019-2020 OPERATING BUDGET

Budget Committee Chairman Slocum welcomed everyone to the first budget meeting for the FY 19-20 operating budget. He thanked Mr. Kimball for a good job on the proposed budget and summary submitted to the Town Council.

Town Manager Kimball presented the “Town Manager’s Proposed FY 2019-2020 Budget” to the Council in summary format. The FY 19-20 budget documents were submitted to the Council earlier in March.

The proposed budget is available on the Town’s website.

General Overview: Summary of Expenditures, Revenue Projections, Mill Rate Review, Debt Service, CNR

BUDGET SUMMARY

Page 2 – FY 20 Proposed General Fund Budget - \$1115,585,211; increase of \$4,369,908 or 3.93%.

General Government increase of 4.27%; Education increase of 3.72%; Debt increase of 0.99%; CNR, Contingency, 0.00%; State Teacher Pension Assessment \$284,061(new).

State Teacher Pension Assessment \$284,061 – Mr. Kimball included this budget item as a contingency expenditure and new line in the operating budget. At this time it is uncertain whether this expenditure will come to pass, and the town must assume the

impact of the Governor's budget. It is the State's obligation to fund the teacher pension payments, and this is the beginning of a proposal impacting Cheshire for many years.

Page 3 – Under the Governor's proposed budget, Cheshire will have a revenue loss of \$140,829 in major State grants.

Proposed Teacher Retirement Required Contribution - according to the State formula "phase-in" (25% of pension obligation)...Cheshire's contributions are: FY 20 is \$284,061; FY 21 is \$586,613; FY 21 is \$889,165.

Mr. Kimball explained that if the average teacher's salary is higher or lower than the State median, the pension contributions will be averaged out. Cheshire's teacher salaries are 8.5% higher than the average, and the town's assessment will be 33.5% of the pension cost for Cheshire teachers.

Total impact of the Governor's proposed budget is \$424,890.

The teacher pension contribution numbers are still estimates, and Mr. Kimball believes in 2022 the number will stay at \$889,165.

Page 4 – Proposed State Budget Impact – The State grants were listed with FY 19, FY20 proposed amounts, and changes. FY 20 vs. FY 19 shows -\$424,890 or -3.00% reduction in State grants to Cheshire. Mr. Kimball pointed out that ECS funding is reduced by \$112,970; LoCIP funding is reduced by \$30,459.

Page 5 – Proposed FY 20 Revenues – With State revenue decreased, this chart shows reliance on local property taxes of 82%.

Page 6 – Proposed FY 20 Revenues – The revenue components are outlined, showing property taxes at 82%, PILOT at 3.64%, Town Departments at 1.44%; Grants-Town 1.41%; Miscellaneous Town at 1.82%; Grants-Educ. At 8.56%; Miscellaneous-Educ. At 0.42%; General Fund Equity at 0.69%; Total \$115,585,211 (100%).

Page 7 – FY16-FY20 Five Year Revenue Comparisons – Mr. Kimball briefly reviewed the information which shows FY 16 Adopted Budget at \$105,613,635 and FY 20 proposed budget at \$115,585,211. The PILOT revenue decreases by \$1.3M; Education grant revenue decreased \$1M over these five years. This explains why property tax revenue has increased to 82% of the operating budget.

Page 8 – FY20 Proposed Expenditures – This chart illustrates the various components of the operating budget expenditures.

Page 9 – FY20 Proposed Expenditures – The detailed expenditure, budget and percentages are shown on this page; BOE is about 65% of the total budget; Town, Debt Service and other components are 35% of the total budget.

Page 10 – Key Budget Drivers – the total budget increase is \$4,369,909 or 3.93%. BOE increase of \$2,664,995 or 2.40%; Teacher pension contribution is \$3284,061 or 0.25%; Medical Insurance and Heart & Hypertension is \$375,854, 0.34%.

Mr. Kimball talked about the Heart & Hypertension program, the high cost of an ongoing claim, and the reserve fund being depleted with a balance of about \$400,000.

Dispatcher Staffing Proposal is \$321,755, 0.29%, for five (5) additional dispatchers, covering peak call times throughout the day (details to be explained by Fire Chief and Police Chief).

Town Pension Contributions \$249,477, 0.22% - Mr. Jaskot explained that these contributions have been phased-in; the town has been doing \$300,000 for Town pension and \$150,000 for Police pension; all the plans are over \$3M.

Mr. Kimball stated that this will be the last year for significant contributions. The actuaries want an increase in funding; the Town is paying 7.5% now (reduced from 8.5%). The defined pension plan is closed, but it will be 5-10 years before we see a decline and savings.

27th Payroll Contributions - \$104,950, or 0.09% - This year there is a two-day accrual; this is a function of the calendar year so the Town does not have a 27th pay day; this happens about every 10 to 11 years.

Net Debt Service \$65,262, or 0.06%; Other Changes \$217,211 or 0.20% (salary increases and utility increases).

Page 11 Debt Service (Net) – The chart is a 10 year history. Mr. Kimball pointed out the debt service is decreasing to 6%.

Page 12 Debt Service Analysis FY18 to FY 24 – Mr. Kimball reviewed the debt service analysis with the Council.

The net debt service number is coming down in FY20; this has been done with strategic use of debt service reserve; the bond sale generated \$943,000 (\$843,00 net of expenses) deposited into the reserve fund; the interest rate was 2.71%; \$100,000 of these funds will be used in the FY19-20 budget. In future years there is a built-in of

\$600,000 increase each year for the next four years; this is for all the projects in the current capital plan; and there are decisions to be made on the BOE future needs.

Page 13 Graph of Debt Service (net) – “red” is budgeted net debt service; “blue” is use of reserves/other sources. Mr. Jaskot this is comprehensive based on what can be borrowed in the next 10 years.

Mr. Oris said this is not that relevant because the capital expenditure numbers on the BOE side were lower. There needs to be a conversation about modification with the BOE. The Council is not seeing a long term plan with which they are comfortable.

Page 14 Debt Service Net 10 year and 5 year projected – 2009-2024 – this chart models out the next 5 years, 2020-2024 when there will be no reserve funds; the Town will not go back to the 10%-12% range. Mr. Jaskot explained the rating agencies do not want to see debt higher than 10%, and prefer to see no more than the 8%-9% range. Mr. Kimball said that south of 7% is the positive range.

Page 15 Mill Rate Analysis 10 Years - Mr. Kimball reviewed the analysis; FY 2020 proposed budget would have a 1.23 mill rate increase; this is just under the last two years.

Page 16 Tax Payment-Average Residential Taxpayer 33.85 Mills – Mr. Kimball stated this year is a revaluation year; overall Grand List increase was 3.8%; the last revaluation had a large decrease with residential 1.26% decrease; Industrial/Commercial had increase.

Mill Rate of 33.85 – taxes on average assessment (house and 2 cars) total of \$7,788; increase of \$185 or 2.43%.

Page 17-Mill Rate Analysis 10 year History – The 10 year annual tax increase average is \$145 or 2.12% increase.

Mr. Kimball will provide the Council with a summary on the Grand List to include values of new projects.

On page 121 of the Budget Summary Book, Mr. Kimball pointed out the large spike in personal property taxes. This information (components) will be broken out for Council review.

Medical Trust Fund Breakdown – Mr. Kimball noted it is a +13% increase; there is six (6) months of claims for the Town; last year \$250,000 of the trust fund was used, and this year it will be \$200,000.

Mr. Masciana stated there is a \$400,000 increase to the BOE medical benefits line, and this is a little below the recommendation. The BOE has five (5) months of claims in the fund. As part of the review of the medical benefits carriers, Mr. Masciana explained the BOE is looking at pricing of the carriers offering stop/loss vs. CT Prime premiums now being paid. All of this information will be discussed with the Council during the BOE presentation.

Page 18 Savings from Key Projects – Mr. Kimball reviewed the cited savings for FY2020 and budgetary impacts (Police Pension Changes, Energy Credits from Solar Farms, Combined Heat/Power Pool Unit, Police Solar Carport, AAA Rating/Successful Bond Sale). Total savings of \$402,705.

Page 19 – Average Proposed Tax Bill of \$7,788 Per Year – this chart shows where the tax dollars go on an annual basis...BOE, \$5,007, General Govt. \$2,232, Debt Retirement \$447, CNR \$74, Contingency, \$9, Teacher Pension \$19.

Page 20 – Average FY20 Proposed Tax Bill of \$649 Per Month – this chart shows where tax dollars go on a monthly basis – BOE \$417; General Govt \$186; Debt Retirement \$37; CNR \$6; Contingency \$1; Teacher Pension \$2.

Mr. Kimball submitted the Financial Summary, Various Fund and Reserve Account Balances, Proportionate Budget Revisions Town 33.72% and BOE 66.28%; Town 30.83% and BOE 69.17%; Budgetary Trends FY 1991 to FY 2020; and Tax Payment/Average Residential Taxpayer and Mill Rate Comparison to the Council.

Mr. Slocum asked about the Teacher Pension Contribution being in the BOE budget or on the Town side as a separate line item.

In response, Mr. Kimball said it is up to the Council on budgeting that line item. Going forward it should be in one of the budgets, and this is a Council policy decision.

Mr. Slocum believes the pension contribution should be in the BOE budget.

Mr. Slocum commented on the teacher pension contribution not being “law” yet, and this issue being discussed during BOE and Council budget meetings. This year if it is budgeted, it stays on the budget line, and next year becomes part of the BOE budget.

This must be addressed on a case by case basis, and it cuts both ways, and Mr. Oris said if this law does not materialize that is good news. If the cost does not appear, the money would not be spent. On the flip side, if the money is not included in the budget, the BOE has a problem. Having an ongoing dialogue on this matter is important until there is a certainty on what the number will be.

Mr. Kimball talked about the penalty of not paying the pension contribution, and the last time this was considered the penalty was to come out of ECS funding.

The Heart & Hypertension plan was raised by Mr. Veleber, who asked if people are in this program, and if some have gone away from the program.

There are a number of retired police officers in the program, and Mr. Jaskot noted they are grandfathered and there is one large payment to one person.

Another issue of concern was cited by Mr. Kimball...the \$15 per hour minimum wage. He explained Cheshire has many part time positions affected by this It would be a \$170,000 impact to the Town.

It was noted by Mr. Talbot that the \$15 hour wage would be phased-in over multiple years.

Mr. Veleber understands that for capital projects, the prevailing wage is tied to these projects...and this could affect capital projects.

The State has put communities in a difficult position, and Mr. Oris commented on there not being enough information, resulting in a bad situation for municipalities. He recommends the Town no longer fund unfunded State mandates. Mr. Oris has heard that ECS funding is solid at this point, but we do not know what the next bomb will be.

Supt. Solan stated the 25% pension contribution could be a high ball proposal, and has heard the percentage could be lower. He commented on the incredible shortfall in the teacher's pension fund, and the question is how this is transitioned out of State liability and passed onto the municipalities. Supt. Solan reported there is some discussion about changing the pension formula, and this could be seen by the end of the fiscal session.

Department Presentations – Mr. Kimball explained that the larger department budget presentations (Police, Fire, Public Works) will be done by staff. The smaller department presentations (i.e. Recreation, Planning, Building, EDC) will be done by the Town Manager.

Budget Committee Chairman Slocum asked for an analysis from the Dept. of Education on 10 year testing scores, including SATs and student population. This information will be part of an overall discussion between BOE and Council.

4. ADJOURNMENT

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

Town Council Special Meeting and Budget Committee Meeting
March 14, 2019, Page 67

MOVED to adjourn the meeting at 8:10 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk