

MINUTES OF THE JOINT TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON MONDAY, MARCH 31, 2014, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Chairman Timothy Slocum; Vice Chairman David Schrumm; Patti Flynn-Harris, Liz Linehan, Sylvia Nichols, Robert J. Oris, Thomas Ruocco, James Sima, Peter Talbot. Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director; Ramona Burkey, Library Director; Debra Rutter, Deputy Library Director; Carolyn Soltis, Town Clerk.

Dept. of Education: Supt. Greg Florio, Vincent Masciana, Director of Management Services

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 2014-2015 Operating Budget:

Library, Town Clerk, Cultural Services, Planning, Education, General Discussion

LIBRARY, pages 157 and 66; Library Director Burkey and Deputy Director Rutter.

Mr. Milone reviewed the budget (page 159), noting the salary account increases by \$51,393; non-salary account increases by \$9,482; \$5,600 of the salary increase represents the Assistant Library Director position as a 25 hour position. Line item 5404, \$30,413 is for the Librarian position, increase in hours to 20 per week from 15 hours; Pages (7) \$50,059, an increase of \$9,100; the number of Pages was reduced to 7, with an increase in the number of work hours per Page, for more continuity. Line item 5707 is \$5,368, accrued funds for the future 27th payroll. Page 160, Program/Materials, 5204, +\$8,500.

The Council was told by Mr. Milone that the Library staff is very efficient, knows how to spend funds effectively, and Ms. Burkey does an excellent job as Director, and has expanded Library services without adding staff.

Director Burkey explained that with the scheduling of part time staff by Ms. Rutter there is less than \$1,000 in overtime in the budget.

Some of the Library's accomplishment were highlighted by Ms. Burkey – Saturday Summer hours, July and August at a cost of \$1,000, and no overtime; creative scheduling of part time employees; increased circulation of books and materials; collaborative services for Fine Arts Programs (art shows, art classes, brochures) working with Fine Arts staff on technology/software for on-line registration with credit or debit cards. There has been an increase in the use of the self-check out machines with 67% of the in-house circulation; the check out/service area has been re-worked for

better distribution of staff and more efficiency. The Library now has more adult programs, such as organic lawn care.

The Fine Arts Department now reports to the Library Director, and Ms. Burkey informed the Council that this is working well, and it was better to bring the two cultural services departments together.

Ms. Burkey reported on the cost of increasing the number of audio books, noting that each one is about \$80 compared to \$15 for a hard copy of a book. The Library wants to increase the amount of down-loading offerings. The Library is considered a social media site and Ms. Burkey is running the Library and a virtual facility.

The major budget items are the Assistant Library Director position at 25 hours a week and the 15 hour a week Librarian position (line item 5104) increasing to 20 hours. Each week there are 868 hours worked by Library staff, and 352 of these hours, 41.2% are part time staff.

Regarding the Library Pages, Ms. Burkey advised there is a 30 hour week Page retirement this fiscal year, and there is a budget request for an increase of 19 hours per week for non-union Pages. There is a need to replace the hours of the retiring person; the position will not be replaced with another union Page position; and the Page hours will be in the non-union part of the budget.

Ms. Burkey will be back to the Council to review some of the modifications to the Library staff hours after the budget is finalized. She noted that when someone leaves a position she looks for ways to redistribute the costs and position duties to meet the needs of the Library. The number of union positions in the Library would remain at 18, with the proposed 20 hour part time position.

With regard to the increase in hours for the Librarian position, adding one hour (from 19 hours) for a 20 hour work week, Ms. Burkey advised it would require fringe benefits, at 50/50 shared premium payment Town and employee. Mr. Oris commented on this being a big cost for one more work hour per week, and something the Council must consider.

Line item 5404 – Canine Bedbug inspection is done annually due to infestation in other libraries, and in two years there has been no alert in Cheshire.

Line item 5204 – Ms. Rutter explained that there is a higher cost for audio books, about \$80 per book, versus the cost of a hard copy of the same book at about \$15. She noted there is no discount on E-Books, which are about 2% of the circulation. The Library has a wish list for items and donations on the web site.

Ms. Burkey commented on the success of the Sunday hours at the Library, January to March 2008, at a cost of \$1,100. If the Sunday opening was implemented it does involve an increase in staff costs, with payment of overtime at time and a half.

The Council was told by Mr. Milone that Director Burkey will be meeting with the Council once all the particulars of the positions are confirmed, review them, and request Council consideration and approval.

FINE ARTS – Pages 165 – Ms. Burkey

Mr. Milone advised the Council that the Fine Arts Director requested an increase in her work hours to 35 per week, and he did not approve this request. He did approve the increase in the Clerk/Typist hours to 28 per week for a 4 day work week, a cost of \$3,300, without any medical benefit impact.

Line item 5408, +\$2,000 for increase to the art teachers who staff the programs.

Mr. Milone commented on it making sense to have the Clerk/Typist working 7 hours a day, 4 days a week, for continuity and consistency with the Director's work hours, and when the facility is open. On-line registration will begin this summer. The department generates about \$90,000 in revenue annually.

TOWN CLERK, Carolyn Soltis, pages 9 (tab) and 80

Mr. Milone reported that the salary line item increases by \$14,257, 6.19%; non-salary increase is \$4,980, 7.09%.

The Town Clerk requested an increase in hours for one of the Assistant Town Clerks to 30 hours per week, at a cost of \$9,000, with a significant fringe benefit increase. Instead of approving this request, Mr. Milone increased the overtime budget by \$3,000, and a Deputy Clerk increase of \$1,300; with everything else related to the union contracts. Line item 5207 increases by \$15,000 due to two elections this year, and costs of printing.

Town Clerk Soltis informed the Council that the department's work load has increased, and she noted that in 1992-93 the department lost 20 work hours, and in 2008 lost another 10 hours. She said there are more State reports which must be submitted; that Cheshire is the only area town connected to the State system for hunting/fishing licenses and birth certificates. People are refinancing houses, and want copies of documents and records, and the staff must assist with these requests. At this time Ms. Soltis is working with a vendor on the connection of electronic records/documents which will make it easier for people to access their information.

With regard to the request for an increase in work hours, Ms. Flynn-Harris commented on the previous discussion of flex time for the Town Clerk's office. She noted that flex time would enable the office to open later in the day for services to those unable to come to Town Hall during the earlier daytime hours.

Mr. Milone stated that the flex time issue will be discussed after the budget process is completed. He advised that the Town Clerk's office will be connected to the GIS system, maps on the computer, with people able to print out a map and pay for it.

Last year, Ms. Soltis reported she received a \$6,500 grant to get older documents on the computer system, and this year she is submitting a \$7,500 grant to continue this process.

The issue of the conveyance tax was raised by Mr. Slocum who asked about the status of this tax.

Ms. Soltis said the tax is still the same, and the office is running close to the budget amount for this fiscal year. A portion of the tax goes to the State and comes back to the Town.

For the Town Clerk's office, Mr. Milone said revenue accounts have been consistent, and there will be more revenue trends and data to the Council as the budget process is completed.

Regarding the overtime \$3,000 increase, Mr. Milone noted that two of the three employees in the department went to the top of their step, received a larger increase, and now do not move up anymore. The 27th payroll accrual amount is \$1,016.

DEPARTMENT OF EDUCATION, Dr. Greg Florio and Director Vincent Masciana
Pages 48 and 191 (tab)

Chairman Slocum stated that some Councilors have met with Dr. Florio, Mr. Masciana or BOE members, on an individual basis, to discuss the BOE budget.

Mr. Talbot inquired about retirements as of this date, and if those savings are incorporated into the BOE budget.

Dr. Florio responded that he has not received any notice of retirements as of now, but he has built two retirements into the budget.

For the medical benefits trust fund, Mr. Talbot asked for the best guess where it will end up and what is the funding proposal.

Mr. Masciana replied it will be \$918,705. This is based on actual claims through February 28th; and assumption of claims at \$550,000 for March and April, and \$625,000 for May and June. This averages \$668,000 per month for claims, with contributions averaging \$525,000 per month. The BOE budget request is \$670,000 per month; contribution wise it is about even; it should be about \$7.3 million in contributions and claims.

Dr. Florio said the budget request would meet obligations, but the trust fund will not grow.

As of today through February 28th, Mr. Masciana said the average monthly claims are \$701,000; there was \$1 million in claims in December; \$700,000 in claims in January;

the last four months of the year, claims will come down. The BOE is looking at \$668,000 average for the last 3 months. The stop/loss payable year to date, through February, is \$209,000; the projection is getting another \$120,000; by the end of the fiscal year it will be about \$325,000; and this is factored into the \$918,000 fund balance.

Some history of the BOE medical trust fund was stated by Dr. Florio. In 2011, the BOE put money into the medical benefits account due to budgeting at over 100% of projected claims, and made contributions to the trust fund. The BOE was budgeting based on rates. The Town was having bad experience; the BOE was having good experience; and the Town's trust fund was being depleted due to bad claims experience. The current fiscal year the medical benefits were budgeted at 100%.

The new rates were reviewed by Mr. Milone, who stated the projected rate increases for HMO at 27%; 5% to 6% on the PPO and H.S.A. The rates went to 15% on the HMO; 3% on the H.S.A.; and this does not help the BOE because of where they started from, their exposure is different, and they can take more risk than the Town can. The BOE went in at 4% increase.

In looking at the medical trust fund and what is budgeted this coming year, Mr. Oris noted last year the funding was \$525,000, and this year the BOE is looking for another \$1.048 this year. This is \$612,000 to be funded on a monthly basis.

It was explained by Dr. Florio that the liability is \$10 million. Employees contribute about \$2.5 million; \$7.5 million is needed to cover the liabilities for claims, access fees and all the costs. \$7.5 million is requested in the budget; \$2.5 million paid by employees; and that covers the BOE \$10 million liability. In this past part of this liability was covered by the medical benefits trust fund. This year the budget covers some of the liability without touching the trust fund. Ideally, the BOE should be at 2 months of claims, or \$1.4 million. If the BOE is funded at its liability level, there is less risk of the trust fund jumping up and down, and budget having to undergo huge changes year to year.

According to Mr. Schrumm, both sides should be looking for a cushion, and he said it may take more than one budget year to work back to former trust fund balances.

Dr. Florio has proposed a way to avoid this every year by funding the BOE budget at a higher level so more liability is out of the operating budget. But, every year, the Council states that the BOE must use more of the medical trust fund, and this year is the one with the big hole. He noted this is not the first year the fund has been drained.

Town Manager Milone said this could be equated to the Town's fund balance being at 8% to 10%, and being used prudently. This is the BOE fund balance, akin to the Town's, and trying to keep it at a reasonable level. The BOE problem is using "x" amount of the fund balance, and then get hit with 2 or 3 really bad claims years, creating this compounding effect. Mr. Milone advised that the Town has more people in the H.S.A. plan, contributions to the plan were increased; but there were not the

catastrophic claims as in 2011 which drained the trust fund. The Town side has \$1.5 million in the trust fund, and estimates of \$250,000 a month in paid claims, which will reduce the balance to \$1.3 million. Mr. Milone said we could look at 10% of claims experience and what it represents for the Town and BOE, and this could be kept in the trust fund. The upper limit is 110%.

Mr. Slocum asked about borrowing from the Town trust fund, replace the BOE fund, then replenish the fund, and how this would work.

In response, Mr. Milone said the Town is the insurance stop gap for the BOE. We would have to collectively look at what the 110% claims experience would be, and to make sure that between the two budgets and combined trust fund, 110% of combined claims can be paid.

For clarity, Dr. Florio stated that this is not the maximum liability. It is the liability in a year, and if that amount is exceeded, it must be paid in the following year. The fund is driven by claims, and Dr. Florio said there has been judicious use of the trust fund to balance the budget. The trust fund grew for future liabilities. \$800,000 has been taken out of the trust fund to balance the operating budget, and the fund must be funded at some point. Liabilities will not go down.

Chairman Slocum suggested looking at funding for the BOE out of the Town trust fund.

This is a stop gap for the BOE and Dr. Florio said, eventually, the liability must be funded, because the fund will be drained.

Mr. Oris asked what the Town Manager has for contributions this year, and said this may be lower.

Dr. Florio said that if the BOE continues to fund its side at the same level as now, and if claims drain the \$800,000 to \$900,000 balance, the BOE will start using the Town's balance.

Mr. Oris commented on the Town trust fund being over funded by \$800,000, using the two months of claims costs as the account balance.

The number is about \$2.8 million, and Mr. Milone said claims are running about \$250,000 a month. They are projected to be \$250,000 to \$260,000 per month. Mr. Milone is taking \$200,000 out of the trust fund to balance the FY 2014-15 budget. Projection will go from \$1.5 million to \$1.3 million balance; \$500,000 is needed in reserve; and there is \$800,000 in excess beyond the 10%.

Dr. Florio said it must be realized that down the road there will have to be funding; it does not solve the problem; and it just pushes the issue out to next year. The BOE always built its budget using a small piece of the reserve fund balance to moderate increases.

Rather than take money out of the BOE side, Mr. Oris is trying to figure out why we don't take it out of the Town side. He suggested lowering the Town's contribution and allow the BOE to have what they need to get back to par, since the Town has \$800,000 of excess money.

Mr. Milone cited the danger of taking another \$200,000 to \$300,000 out as this means starting at \$400,000 to \$500,000 less than what should be budgeted. If the Town has a bad claims year, up by 10% to 15%, he would be going from a net number, not a gross number. What is being proposed is the need for assurance that there is money there to meet claims up to 110%. There will be that money based on the amount of reserves the Town has to cover BOE up to 110% if their budget is reduced. With bad claims experience on the Town side there will be a problem.

Mr. Milone gave an example...Blue Cross says the Town should be budgeting \$2 million; the Town budgets \$2.6 million; he is \$400,000 less than where he should be, and next year Blue Cross comes in and cites a 10% claim increase on \$2 million. He is building from a lower number, and the increase would be \$600,000.

Dr. Florio said the BOE has been working from a lower level trying to get back to a fully funded level.

It was stated by Mr. Milone that the recommendation of Mr. Oris is to cut the budget to accommodate the BOE reduction. He is saying that rates will increase next year.

Mr. Oris commented on looking at this as a single pool, and taking from the Town or BOE side, we are still in the same situation where there is a bigger increase in the next year.

It is an insurance pool for purposes of insurance and protection and stop gap. Mr. Milone said it is not a single pool for purposes of aggregating how the money is spent, and this is the way it has always been treated. The Town becomes the insurance company for the BOE and they have to pay it back.

Dr. Florio said this could work for one year. The employee contribution and operating budget are going to be at \$9 million, and the liability is \$10 million. The \$1 million is covered by either using the BOE or Town trust money to get through the year. A year from now the liability is still \$10 million, and all that is budgeted is \$9 million, and the \$1 million has to be put back.

According to Mr. Schrumm the trick is to get back to fully funding both sides for 105% of what Anthem says is owed. He commented on \$800,000 as the number for full day kindergarten, and said this money could be used for the medical benefits trust fund.

Mr. Oris asked about taking \$1 million out of the improvement line item for buildings. His point is the argument can be made that the BOE can find \$1 million, but it would be

at the expense of sacrificing programs and/or services. He said the medical trust fund issue should be dealt with separately.

The issue of full day kindergarten and budgeting levels was discussed by Ms. Flynn-Harris, who asked for clarification on the number of teachers for the program. First it was 8, then 7, and she has heard 6 as the number.

Dr. Florio would be comfortable with one less teacher and aide, but is not sure the program can be done with 6 teachers. There has been talk about moving some of the up front costs to capital budget, We are at round numbers of \$3.1 million BOE budget increase; taking out one teacher and aide, moving up front costs to capital budget for another \$400,000 off the top of the budget...we are down to \$2.7 million. There could be some risk with medical benefits, which is a BOE decision, and something more taken off the \$2.7 million number.

With the reduction of 6 teachers, Ms. Flynn-Harris said this would be based on enrollment at this time, which is expected to pick up. With more enrollment of students there would need to be a maximum of 7 teachers.

The Council was told by Dr. Florio that the potential inflow from St.Bridgets School is built into the projections.

Mr. Masciana made two important points – part of what is built into both budgets is health care related fees. The BOE fees are about \$100,000; the Town side is \$25,000. He noted that we do not know what is coming relative to health care costs because of the affordable care act. The assumption is costs will increase and be passed onto the consumers. These fees are built into the projected rates.

Ms.Flynn-Harris looked at two BOE capital expenditure budgets, with one having about \$179,084 and the other \$65,000 from C.N.R. and asked about redirection of this money for full day kindergarten costs.

Mr.Milone stated it would require a simple resolution of the Town Council.

Mr. Masciana reported that the two projects are completed and the funding is there. It is about \$255,000 for the full day kindergarten program. He said the emergency maintenance account should not be touched due to possible future emergencies.

Dr. Florio summarized what has been discussed. \$3.1 million BOE budget increase; \$400,000 decrease = \$2.7 million; capital money and reduction of one teacher and aide = \$345,000; and with the use of these funds all day kindergarten costs become \$615,000.

The issue of student enrollment was raised by Mr. Schrumm who stated that the BOE numbers show 665 less students in the school system, and small class sizes of 17 in the k-6 level. He also said birth numbers are lower than anticipated.

Dr. Florio stated that 20 teachers have been reduced in the school system in the last 5 years due to reduced enrollment. The high cost of the last teachers' contract is one reason the budget is increasing; special education costs have not been reduced due to students with higher needs; staffing numbers have not dropped as much due to the school system educating special ed students in Cheshire rather than out placement. There have been no requests for support staff in the elementary schools because of the good class sizes. Cheshire does not have reading support or other support staff over this period of time.

Dr. Florio commented on more people with school age children moving into the district, and even with this factor, the numbers will not get to the level Mr. Schrumm is pointing to. Right now, Dr. Florio is comfortable being able to accommodate additional students if enrollment increases across grade levels.

Chairman Slocum asked about the BOE budget increased by less than \$2.7 million, i.e. \$2.2 million, and the BOE had to come up with \$400,000 (out of a \$63 million budget) above and beyond the reduction in medical benefits, and how painful this would be.

In reply, Dr. Florio said he would have to cut teachers and full day kindergarten, and many programs would be impacted.

Mr. Milone stated that the State funding revenue to the BOE will not be changing.

PLANNING DEPARTMENT, pages 55/72 and 40

Mr. Milone explained that this budget increase by \$9,000, 1.76%; salary account increases by \$8,089. Economic Development increase is \$4,160, with \$1,500 of this increase for Business Appreciation Day. Public Building Commission budget increases by \$300 for secretarial services; Energy Commission budget decreases by \$2,000.

Handout, March 31, 2014. Mr. Milone distributed a handout to the Council. Pages 1 through 3 refer to the Community Pool budget and changes made due to the summer opening May 4th through September 2nd. The pool, with the new infrastructure tension membrane building, will reopen on or about December 31st. There will be departures from the original proposal in the 2014 projection column, and 2015 Manager column. Previously proposed budget is \$484,796; an increase of \$104,277 because of salary increases of \$60,000 and increase in full time employees. Building supplies +\$17,000; gas +\$10,000; Maintenance +\$10,000.

Page 3 – the insurance proceeds breakout reflects payments of \$330,671; proceeds for utilization \$183,745; leaving a balance of \$146,926.

Page 2 – this page shows the 2014 projection for the pool fund of \$484,796; 2015 Town Manager projection of \$753,111; variance of \$104,277.

Tab book page 181 – shows the estimated pool budget.

Page 122 – shows estimate of \$117,665 revenue.

Handout, Page 3 – there is \$100,000 added; this is paying for the additional projected expenditures.

The pool budget started with a fund balance of \$133,438; fees projected for the next year are \$527,360; and it is possible the transfer from the General Fund can be reduced by \$25,000.

Mr. Milone reviewed the changes (pages 1 and 2) for the revised pool budget. Insurance proceeds can be put into the pool budget and reduce the General Fund subsidy to the pool fund.

Mr. Milone commented on the pool reopening with the new infrastructure in December 2014. If this opening goes into January 2015, some adjustments will have to be made; and some of the insurance proceeds can be used. The pool will have revenue for annual passes, and there will be continuous operation of the pool with revenue generated. \$589,073 was the cost of operating the pool 2013-2014.

Handout, Page 4 – CCM finance update reflects an increase in State funding to Cheshire in the Pequot/Mohegan Grant of \$171,674, and PILOT State Property of \$275,787, for a total revenue adjustment of +\$429,321.

Pages 5 and 6 – Debt Service Analysis, Use of Refunding Proceeds and Debt Reserve. Mr. Jaskot reviewed the information showing the debt service constant at \$7.6 million FY 16-20 (page 5) and debt service constant at \$7.502 million FY 16-20. He said the question is whether the Town can put money into the debt service reserve in FY 16-17. There will be a significant amount of tax increase in FY 17-18 but this is not factored into the equations at this time.

Mr. Sima asked about bonding out the \$3.2 million for the pool infrastructure and the costs.

In response, Mr. Milone said the Council will review the amortization schedule. He referred to the March 12th handout, page 1, which reflects the mill rate comparisons. All revenue numbers will be reviewed with the Council, including department revenue and expenditure adjustments in dollar amounts and 10ths of mills. 37% of taxpayers will see a reduction in their real estate taxes at the current mill rate. At 30.3 mills, the average taxpayer will save \$90 in taxes; about 50% of taxpayers will not see a tax increase; condo units will have the largest decrease; and commercial/industrial properties will be impacted with a tax increase.

4. ADJOURNMENT

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

MOVED to adjourn the special meeting at 9:35 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk