

MINUTES OF THE CHESHIRE TOWN COUNCIL SPECIAL MEETING HELD ON TUESDAY, DECEMBER 16, 2014 AT 7:30 P.M. IN ROOM 207, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Tim Slocum, Chairman; David Schrumm, Vice Chairman; Council Members Patti Flynn-Harris, Liz Linehan, Sylvia Nichols, Robert Oris, Thomas Ruocco, James Sima and Peter Talbot.

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

Dr. Greg Florio, Supt. Of Schools; Vincent Masciana, DOE Director of Management Services; Gerry Brittingham, BOE Chairman.

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. AUTHORIZATION TO APPLY FOR THE ANNUAL CONNECTICUT DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES LOCAL PREVENTION COUNCIL GRANT FOR \$4,245 FOR YOUTH SUBSTANCE ABUSE PROGRAMS.

MOTION by Mr. Schrumm; seconded by Mr. Talbot

BE IT RESOLVED, that the Town Council authorizes the application for the annual Connecticut Department of Mental Health and Addiction Services Local Prevention Council Grant for \$4,245 to be used for addiction awareness and prevention programs.

VOTE The motion passed unanimously by those present.

4. FY 15-16 BUDGET PRE-PLANNING

Town Manager Milone submitted a packet of information for the FY 15-16 budget pre-planning meeting, and reviewed it with the Council. He commented on the Council and Town staff taking significant measures in keeping costs down and the mill rate down, reducing debt service significantly (now 7.47% of the operating budget), and noted the pressure points in the budget – medical benefits and pension costs.

Comparative Budget Analysis Five Year Expenditure Comparison – FY 2010 total budget was \$94,495,774; FY 2015 total budget is \$103,393,491; this is a an increase of \$1,779,528, a 9.42% increase over 5 years, averaging 1.88% per year.

Five Year Tax Impact/real estate & 2 motor vehicles (residential) – FY 2010 tax of \$6,327; FY 23015 tax of \$6,914; 5 year increase of \$587, 5 year percentage increase of 9.28%; average increase per year of 1.86%.

Multiple Year Budget Comparison – the chart showed the 10 year budget comparisons (2004-05 to 2014-15); 2004-05 budget was \$80,295,844, with a mill rate of 26.94 mills; 2014-15 budget of \$103,393,414, with a mill rate of 30.25 mills. Ten year average \$2.1 million; 2.38% increase. The budget funding increase is supported by a mill rate adjustment of \$1.16 million, grand list growth of \$588,891, and all other revenue sources of \$494,831.

Biennial Budget Projections FY 2015 and 2016 – Expenditures FY 14 adopted \$100,625,020; FY 15 adopted \$103,393,414; FY 16 projected \$107,994,346. Revenues – FY 14 adopted, \$100,625,000; FY 15 adopted \$103,393,414; FY 16 projected \$107,994,346.

Mill Rate Impact – FY 14 – 27.60 mills; FY 15 - 30.25 mills; FY 16 – 31.72 mills; mill rate increase of 1.47 mills or 4.86%; additional tax dollars/grand list growth - \$612,937. The estimated tax levy needed for FY 16 is \$84,576,894.

Tax Payment Average Taxpayer – FY 2014 real estate \$6,303, two motor vehicles \$478 for total of \$6,781; FY 2015 real estate \$6,388, two motor vehicles \$526 for total of \$6,914, increase of \$133 or 1.96%.

Tax Impact Distribution by Levels of Increase Mill rate of 30.25 mills – Cheshire has 9,268 residential taxpayers. Mr. Milone reviewed the number of tax accounts that would decline which is 4,360. Accounts with increases range from less than \$100 or 980 accounts to more than \$500 increase for 1,198 accounts. 5,340 residents had a decrease in taxes or an increase of less than \$100, which equates to 57.62% of residents.

General Government Multi Year Budget Projections – there are seven (7) categories of expenditures in the General Government section of the budget – 100 Personnel Services, 200 Supplies and Services, 300 Utilities, 400 Contract Services, 500 Professional Expenses, 600 Equipment, 700 Other. FY 2014 Council approved total expenditures of \$27,623,236; FY 2015 Council approved total expenditures of \$28,427,687; dollar increase of \$804,451; percentage increase of 2.91%.

Projections for FY 2015-2016 – the total projection is \$28,872,787; a dollar increase of \$1,445,100; the five year dollar increase, FY 2010 to 2015 is \$4.437 million. Mr. Milone pointed out the “Other” category (\$823,531) represents 44% of the budget, with \$323,000 medical benefit costs and \$420,000 pension contribution. Medical benefits are the largest driver and will continue into the next year to about 51% of the increase in the budget.

700 Account multi year budget projections – Mr. Milone highlighted the Employee Benefits which is broken up into the various categories (Medical, Workers Comp, Heart & Hypertension, Social Security, Pension, Miscellaneous General Insurance). Grand Total 2014 Council approved is \$7,080 million; FY 2015 total is \$7,603 million; dollar increase of \$522,537; percentage increase of 7.38%. FY 2016 projected grant total is

\$8.427 million; dollar increase of \$823,531. The five year increase 2010 to 2015 is \$2.164 million.

Department of Education – Mr. Masciana reviewed the DOE three year projections for the categories in the BOE budget – Certified Salaries, Non-certified Salaries, Employee Benefits, Instructional Expense, Support Services, Maintenance and Other. FY 2015 BOE adopted budget total is \$66,008,180; FY 2016 projected BOE budget is \$69,476,000; increase of \$2,278 million, 3.57%. Medical benefits are the largest increase in the BOE budget, along with a \$400,000 increase in pension for non-certified staff. Support Services & Maintenance has payment for the performance management contract in this budget; reduction in energy costs comes out of the maintenance category.

The Council was informed by Mr. Masciana that the Non-Certified Salaries are 3% of the estimated budget increase; three union contracts (Custodial, Secretarial and Instructional Assistant) end in June 2015 with negotiations beginning in January 2015.

Mr. Masciana explained that the Affordable Care Act (ACA) is driving up the costs of medical benefits due to the provision requiring medical coverage for all 30 hour employees. There is a 9.5% cap on the household income for premiums.

Mr. Milone informed the Council that the medical benefits health provider program is out to bid with responses expected by February 2015. There is hope for some relief with the Town moving its business to another health care administrator, due to dissatisfaction with the current provider Anthem. He reported that the Town demanded an audit of the accounts, Anthem refused, and then agreed to pay for the audit and for the medical consultant.

With a different carrier, Mr. Masciana said there could be savings in fees, stop/loss premiums, and the BOE is self funded for 2 of the 3 major health plans. In moving medical carriers, he noted that there must be two months of reserve funds for possible claims. The BOE has 60% of teachers in the HSA accounts and has 2 prescription providers. BOE reduction in maintenance and other categories (-7.4%) is based on what Ameresco has reported to the BOE.

General Fund Revenue Budget Projections – The assumption going into the next fiscal year is a slight increase of 2% in Town departments. Mr. Milone reviewed the revenue categories – Property Taxes increase of \$4.160; PILOT increase of \$261,183; Town Departments increase of \$32,368; Grants/Town = 0; Miscellaneous Town (\$150,000); Grants Education (\$136,272); Misc. Education = 0; Total Revenue of \$4.167 million; General Fund Expenditures of \$4.167 million. The Town is using a 99% tax collections rate; last year it was 99.74% collection rate; this year the rate could reach 99.6% which equates to another \$500,000 in revenue. The supplemental motor vehicle taxes were higher than expected - \$91,300. Debt Service is over budgeted; there is savings this year coming from year #2 of the refunding, \$231,000, will go into the debt service reserve account. All State aid has been held constant.

Summary of Budgetary Operations – Unassigned Fund Balance, 7/1/13 - \$9,239,213; Unassigned Fund Balance, 6/30/14 - \$9,382,936; 9.38% of FY 14 GF expenditures. 8% of GF Expenditures is \$8,006,599; the current balance is \$1,376,337 over this 8% level.

Financial Summary – Fund Reserves, 11/30/14 (balance in millions)– Debt, 5.512; Pension, .260; Heart & Hypertension, 1.045; Medical Benefits Trust Fund Town, 1.602; BOE 0.334; Fund Balance 6/30/14 – GF Undesignated Fund Balance 9.383; WPCA 0.665; Community Pool 0.157.

Community Pool Fund – FY 2015 Council approved revenue \$743,922 and expenditures of \$743,922; unassigned fund balance 2015 \$104,865.

Water Pollution Control Fund – FY 2015 Council approved revenue of \$3,484,674 and expenditures of \$3,484,674; user fee 2015 - \$380; restricted fund balance \$652,310.

Mr. Masciana reported that the BOE has \$334,000 in the medical fund balance which is expected to be used up by the end of the fiscal year. There is a budget freeze in effect for the DOE in order to not run out of money.

Summary of BOE Medical Benefits – Mr. Masciana reviewed the summary sheet. Liability - \$9.376 million; Administrative fees - \$320,000; Stop Loss Insurance \$450,000; Waivers (payment in lieu of coverage) \$130,000; H.S.A. BOE contribution \$436,500; total \$10,712,813. Employee Contributions \$1,510,000; Self Pays/Retirees \$557,541; Net Cost \$8,645,090; BOE operating budget adjusted \$7,973,141. There is \$557,000 at risk if claims are not at the expected levels.

Town 2014-15 Adopted Budget//GF Employee Benefits -110. Mr. Milone explained that he made a total of (\$811,192) in changes; (\$115,700) in position revisions; VEBA is the Cheshire Police Department retirement fund; 3 officers cashed out their VEBA accounts; VEBA reimbursement is (\$341,338); and the Town wants to fortify this fund in the coming year.

SUMMARY – Section I - Pension Phase In Strategy/Town and BOE.

Original projection from July 1, 2010 valuation - FY 2011-12 to FY 2017-18 was the catch-up completion time frame with annual required contributions to the pension fund.

Updated projection from FY 2013 valuation moves the time frame up to FY 2016-17.

The fiscal year and town contribution are cited in this section.

Police – original projection from July 1, 2010 valuation – 2018-19 catch up completion; updated projection from July 1, 2014 valuation 2018-19; phase-in amounts will need to be increased to catch up with annual required contributions. The fiscal year and town contributions are included in the Highlights of the Police Pension Fund.

Volunteer Firefighters – FY 2013-14 was the year for the original projection July 1, 2010 valuation for catch up completion of contributions; FY 2014-15 is the date from July 1, 2013 valuation; payment of \$241,200 will complete the catch up plan; and going forward the payment schedule will be on target without a significant increase.

OPEB Annual Required Contributions – Mr. Milone told the Council that the CPD has a plan for health coverage for retired officers to age 65 for those with 25 years of service; the rest of the years have limited post employment benefits; teachers are permitted to stay on the Town coverage but must pay their own premiums.

There is \$500,000 in the OPEB trust and the money is invested the same as other pension assets. The CPD VEBA is under \$500,000 at this time. This trust fund has dwindled from over \$1 million to \$500,000. The ARC, in 2015, will have a \$673,000 contribution; VEBA had \$411,000 paid out in benefits, and there should be an additional \$246,000 contribution to VEBA which is not budgeted. Mr. Milone advised that this trust fund could be gone in about one year.

Mr. Jaskot informed the Council that at the next valuation of the pension funds he expects the VEBA liability to be reduced.

Five Year CEP – in 2015 debt service will be \$7.732 million; CWF/WPCD has a \$3.559 payment in 2018; debt service in 2019 will be \$9.4 million; the Dept. of Corrections owes the Town \$2.5 million for prison issues with the WWTP. With establishment of the CNR and payment of cash for projects, the Town has saved \$6 million in interest costs. In FY 2015-16 grand list growth is projected at \$612,000; the current fiscal year had grand list growth of \$930,000.

A copy of the Pre-Planning Budget Workshop report is attached to these minutes.

5. ADJOURNMENT

MOTION by Mr. Sima; seconded by Mr. Talbot.

MOVED to adjourn the special meeting at 8:48 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk