

MINUTES OF THE CHESHIRE TOWN COUNCIL AND BUDGET COMMITTEE JOINT MEETING HELD ON MONDAY, MARCH 14, 2016, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present

Town Council Chairman Robert J. Oris Jr.; Paul A. Bowman, Vice Chairman.

Budget Committee Chairman Tim Slocum and committee members Michael Ecke and Sylvia Nichols. Council Members Patti Flynn-Harris, Liz Linehan and Peter Talbot.

Absent: Thomas Ruocco.

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

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. FY 2016-17 GENERAL FUND OPERATING BUDGET.

SUMMARY OF EXPENDITURES; DETAILS OF ITEMS OF EXPENDITURES/KEY REVENUES; MILL RATE REVIEW; FUND BALANCE POLICY; RESERVES; CONTINGENCY; DEBT SERVICE/DEBT SERVICE RESERVE; CAPITAL NON-RECURRING (CNR)

Town Manager Milone distributed a summary of handouts to be used throughout the budget process.

Page 1 - Mill Rate Comparison-Rate Variations - shows the current mill rate of 30.69 mills, cost to average taxpayer of \$7,064; proposed mill rate of 31.69 mills and cost of \$7,294, an increase of \$230 or 3.26%.

Page 2 - Summary of Salary Accounts - 2016 budget/2017 budget, total variance of \$411,918 or 3.12%.

Page 3 - Position Adjustments - shows recommended new positions and increase in hours for current positions, one-half year cost, starting January 2017; elimination of Fire Inspector position (\$54,621); Fine Arts Director position to 35 hours per week as of July 1, 2016. Net cost of the adjustments is \$29,155.

Page 4- Budgetary Trends 1991 to 2017, amended budgets and adopted mill rate increase.

Page 5 - Proportionate Budget Revisions, Town and Dept. of Education - this is exclusive of debt service, CNR contributions and contingency. Town @ 69.56%; BOE at 30.44%.

Page 6 - shows the funds remaining in the energy rebate account, and scope items for consideration for distribution of these funds.

Pages 7 to 10 - Biennial Budget Projections, FY 2016 adopted, FY 2017 recommended, and FY 2018 projected budgets.

Pages 11 to 13 - scenarios for using debt service reserve to mitigate \$3.6 million increase in FY 2017-2018.

Summary Budget Book - Mr. Milone reviewed the General Fund Operating Budget. FY 2017 - \$109,112,455; increase of \$3,148,811 - 2.97%.
WPCD Budget - \$3,441,593; increase of \$9,966 - .29%.
Community Pool - \$902,823; increase of \$73,296 - 8.84%.
WPCD and Community Pool budgets are Special Revenue Funds, and not included in the General Fund or the tax levy.

Mr. Milone commented on the fact that the budget was more challenging because the economy is not much better; the State situation is volatile, unpredictable, uncertain; and there must be fallbacks and safety nets and protection in this budget. It is expected there will be more erosion in municipal aid this year and in coming years. The budget was developed with an eye on the FY 2018 budget, which will have a \$3.6 million debt service increase. There is \$500,000 in the debt service reserve account, but it is not enough to handle the spike. The budget was developed without using many of the reserves and safety nets (medical benefits trust fund, pension reserve and fund balance).

The WPCD has a large and growing reserve fund. Mr. Milone said it would have been easy to take another \$100,000 to \$500,000 out of this fund and transferred it as revenue. This is done up to \$650,000, but not above that. The collection rate could have been increased another 1/10th of a percent, about \$85,000; energy rebate funds were not used; the BOE did not use any of their medical trust funds for its budget. There was solidification of protections and safeguards. In FY 2017-2018 there will be the one-time spike in expenditures with the debt service, so it would be appropriate to use one-time revenues to offset. But this digs a hole that must be handled the following year. In FY 2017-2018, Mr. Milone said more fund balance can be used; push up collection rate; and use \$150,000 from WPCD and some energy rebate funds and medical benefit trust funds and possible debt refunding savings. Staff is evaluating programs, services and processes throughout the budget preparation, to determine what should be continued,.

Page 2 - Tax Payment for Average Taxpayer at 31.69 mills. Average Assessment, real estate and two cars, \$7,294, increase of \$230, 3.26% variance.

Page 3 - General Government is \$30,766,132, increase of \$1,527,442. Key areas of increase are: Personnel Services \$411,918, 3.12%; Pensions \$256,697, 10.53% (using \$75,000 less from pension reserve than last year); Leases \$143,011, 42.92% (1st year

of the full lease for the performance contract, and partial payment for street lighting acquisition); Medical/Life Insurance \$292,310, 9.18% (\$200,000 from trust fund in this year's budget and \$100,000 VEBA transfer), actual increase of \$92,000 or 2% increase before any plan design changes; Heart & Hypertension \$200,000, 133.33%, with one claimant costing \$300,000+ a year. Total increase from key areas - \$1,303,936.

With regard to medical benefits, Mr. Milone informed the Council that at start of bargaining unit negotiations, they will be told that if the contract is not settled in three months, there will be no retroactive salaries adjustments. Sometimes the settlements go a year or more, and the medical benefits must be put in place at the start of the year, and there cannot be adjustments back 12 months for medical and prescription co-pays, and HSA deductibles.

Administration and Finance - \$12,6687,220 or 11.63% of the total budget; total increase is \$951,667, or 8.11%. Key areas are employee benefits, pension, medical/life insurance, heart and hypertension. Police Pension increase is due to phase-in, liabilities continue to grow; Town and Fire Plan are meeting actuarial required contributions.

Page 4 - Public Safety - modest increase of \$156,263, 2.31%. Police increase of \$156,138; Fire increase of \$4,873; and Building Inspection decrease of \$8,270.

Fire Department is struggling to get sufficient manpower for day time call response, and CFD staffing analysis has been sent to the Council. Chief Casner has requested daytime staffing of volunteers, pay a stipend, and be assured of 4 to 6 firefighters available during call hours of 8 a.m. to 4 p.m. starting January 2017. CFD request for increase in pay per call for volunteers which has not been done in about 3 years. These issues can be adjusted and modified and will be reviewed with Chief Casner. CPD vacancies will be funded at 100% in FY 2017-2018, is at full staff, but there is a pending retirement.

Public Works - increase of \$232,643 or 4.29%; driven by streetlight acquisition lease payment; solid waste contract increase is \$36,236, and there is exploration of doing automated solid waste pickup. A meeting is scheduled with A.J. Waste to discuss this issue. Tip fees are going up, and A.J. Waste would have reduced costs due to one man on one truck for automated pickup.

Regional Water Authority Rate Adjustment of \$40,661 +6% increase. Mr. Milone stated that he and Chief Casner have reached the point of non-extension of water mains as it becomes more costly for the Town. It would be done only with a strong need for fire suppression in an area. This issue will be reviewed during the capital budget.

Salary increases include one new position of Mechanic at half year funding. Supporting documentation will be supplied by PW Director Noewatne during the PW Dept. budget presentation.

Social Services increase of \$34,405 or 4.09%; this is a status quo budget. There is emphasis on senior services, due to increase in senior population to 6,404 from 4,552. In FY 2016 budget there was an increase in hours of Social Worker and Program Supervisor as of 1/1/16 to serve the needs of seniors. The Dispatcher position recently had hours increased to 30 hours; there is a \$5,000 increase for expansion of program services due to increase in space for programming at the Senior Center.

Cultural Services increase of \$50,071, 2.62%. Cheshire Library salary account increase of \$19,062, program materials account increase of \$15,108, and adjustment of 3 more hours per week for Director of Fine Arts.

Leisure Services increase of \$71,531, 4.53%. Parks and Rec Department requested a new Groundskeeper position, funded for half a year, starting January 1, 2017, at cost of \$25,997. The department is assuming maintenance and monitoring responsibility for the 4.0 additional miles of the Linear Trail, including bathrooms and open space properties. An ATV is needed to maintain open space and the trail. Pool subsidy comes from the Parks and Rec budget, \$215,000 next year; and this is the lowest since opening the original pool; and the highest subsidy in 2012 was \$459,000.

Public Health increase \$21,504, 4.70%; the nursing program has been rolled into the Chesprocott operation; there is active presence of nurses at the Senior Center to assist the elderly, and throughout Town. Chesprocott had outdated I.T. equipment, and part of the increase is for upgrade of the hardware and software. The per capital rate, for all towns, is now \$8.65. Campion Ambulance increase of \$6,388.

Department of Education - \$70,292,570, 64.42% of the budget. Increase of \$1,971,369, 2.89%. Mr. Milone reduced the BOE budget request by \$215,000 due to reduction in workers compensation of \$65,000, pension reduction of \$34,638, medical benefits reduction \$82,331, performance contract energy initiative reduction \$32,985, for total estimated savings of \$214,954. The reduction can be undertaken without an effect on salaries, benefits, education programs.

Capital and Non-Recurring -\$0 increase; Debt Service Component - \$0 increase; Contingency Component - \$0 increase. Mr. Milone stated debt service is the lowest percentage of operating budget at 6.62%, in last 20 years.

WPCD Special Revenue Fund - \$3,441,593. Salary Account increase \$12,791; Electricity decrease of \$16,000; and Heating Oil decrease of \$10,000. There are efficiencies with updated treatment plant and equipment, and different operation and chemical mix.

Community Pool \$902,823; increase of \$73,296, 8.84%. This increase is due to the pool now being a 12 month operation, and the new efficient operation of the facility. The subsidy is the lowest ever; estimated cost of natural gas decreases to \$109,432 (from \$272,493 in FY 07); this is a difference of \$163,000. The salary account increases by \$54,000, primarily for part-time and temporary help due to the 12 month

operation of the pool. This year is the first year for a 52 week per year pool opening, and there are staff needs for the safe and efficient pool operation. There will be discussion regarding some fee increases when the Parks Department presents its budget. Daily rates will not change, but there will be consideration of increases in family and seasonal passes. Mr. Milone advised there is much interest from swim organizations to rent the community pool on weekends for swim meets. However, there must be a balance of renting the pool and accommodation of community pool users. To date there is no change in the rental rates for use of Town parks, and this will be another issue for discussion with the Parks Dept. staff. It was pointed out by Mr. Milone that Mixville Park will not be staffed as it was last year, when the pool was closed, and there will be no lifeguards at Mixville this summer.

REVENUES

Page 9 - Mr. Milone reviewed the salient revenue changes and categories of revenue. FY 2017 - Current Tax Levy \$3,402,324; Page 18 - Mill Rate Adjustment, \$2,672,526; this is what is generated from one mill increase; Grand List Growth \$729,798; Other revenues -\$253,513.

Municipal Sharing Account \$855,170; this is the new revenue created by the State last year; the State capped the mill rate at 29.6 mills starting the following year; and municipal budgets cannot increase by more than 2.5% or the municipality loses 50 cents on each \$1.00 of State grants.

On page 18, Mr. Milone referred to FY 2006-07 when the budget increased by 4.37%, and mill rate went up by 1.88%. In FY 2007-08 the budget increased by 3.32%, and mill rate increased by 1.66%; FY 2008-09 the budget went up by 3.95%, with mill rate increase of 1.63%. This happened by "all other revenue sources", 3 years of record surpluses...2006-07 surplus of \$1.680 million; FY 2007-08 surplus of \$1.096 million; FY 2008-09 surplus of \$1.620 million.

If the State wants to keep cost to taxpayers down, it should limit the tax increase. By limiting the budget increase, it makes no sense. A town could have a windfall of revenue, allowing expansion of the budget at no cost to the taxpayer. If the program was in effect for the three years cited, Cheshire would have paid a hefty fine off its revenue, or the Council would have had to keep budget increases down.

Tax Incentive Repayment, \$300,000 comes for Alexion Pharmaceuticals. The company is leaving Cheshire a year before its 10 year tax agreement is satisfied, and will make the payment to the Town in July. Education Cost Sharing Grant increases by \$156,820. Decreases: Streetlight rebate \$175,000; PILOT \$245,912; PILOT Pequot Grant \$220,553; Building Fees W.S. Development \$424,021.

Mr. Milone commented on the State revenue sharing account revenue of \$855,170. From this year to next year the PILOT revenues decrease by \$466,465.

The proposed DMV motor vehicle tax legislation...not holding up registration for back taxes...would result in a loss of \$386,000 in tax revenue to Cheshire. The DOT has kicked this item out of the bill at the legislature. There is still the personal property exemption for property under \$10,000 value, which is \$61,000 less revenue for Cheshire. If the motor vehicle cap goes into effect it is another \$522,000 revenue reduction.

Page 12 - Mr. Milone commented on the budget being the leverage of many things, and resources available from capital budget, CNR, grants, gift accounts, reserve accounts, alternative financing options. Much of this is being used to support the items listed on page 12 (Infrastructure and Operational Projects); some are near completion; some are in early stages and moving along.

Page 13 - Resources include General Fund Equity \$9.1 million, 8.64%; Debt Service Reserve \$6.5 million; Medical Benefits Trust Fund \$2.9 million; WPCD Equity, \$721,000; Performance Contracting Energy Rebate, \$762,000. Mr. Milone commented on being cautious to preserve the financial safety nets and have reserves for the next fiscal year.

Page 96 - Four major components of revenue are Taxes, State Aid, PILOT, General Fund Equity.
FY 2012 - taxes made up 77.1% of the budget, and now makes up 79.6% of the budget. State Aid made up 17.5% of the budget, and is now 15.7% of the budget, a reduction of almost \$2 million. Non-tax revenue has dropped by from 4.8% to 4.1%. We continue to see the shifting of the burden on the taxpayers, and lessening of the commitment from the State, despite their saying municipal revenue is increasing.

Mr. Jaskot reviewed the revenue section of the budget. On page 96, it shows the total increase in revenue of \$3.148 million. Taxes are increasing; all other revenues are decreasing by \$253,513; grand list growth is \$729,798; mill rate increase of \$2,702,253.

Page 103 - the budget is using a one mill increase at 31.69 mills. The budget is using a 99.1% collection rate; this year the collection rate is on track to meet or exceed last year's rate of 99.79%. There is assumption of a \$500,000 reduction in Board of Assessment Appeals, and this is reduced from \$1million last year. Prior year levies, interest and lien fees - are at \$150,000 each, and last year reached \$283,000.

Page 105 - PILOT grants are reduced by \$446,000 or -8.06%. With full PILOT payments Cheshire would receive +\$2.2 million revenue.

Telecommunications Property Tax is at \$0; this property decreases rapidly.

The Council briefly discussed RWA, the high charges for pipes for water main extensions, Town water and possibility of charges to other towns for use of our water. Mr. Bowman stated industrial properties in the north end of town are in the aquifer and it limits their ability for certain types of development.

Page 107 - Town Departments \$899,511; \$442,521 decrease; mostly due to W.S. Development project not going forward; there was no growth in town departments revenue.

Page 109 Grants - Town Non-PILOT and Non-Education grants total \$899,511; MRSA Grant \$855,170, and this grant will stay flat through 2019. Town Aid Road funds must be spent on road work.

Miscellaneous - \$138,802. About \$114,000 of this revenue comes from FEMA, CPD grants; there is potential for one time \$300,000 payment from Alexion; streetlight rebate FY 2016 is \$175,000; WPCD administration reimbursement is \$650,000 for debt service paid on behalf of WPCD. \$100,000 sewer assessment, which is lower due to few connections forthcoming. Investment Income -\$2000.

WPCD \$650,000 transfer - Mr. Milone stated the user fee charge increase generated \$10,000 of revenue; 40% of the increase is needed to balance their budget; FY 2018 will fund up to \$200,000 to pay the debt service. \$5 million of the WPCD project is funded by the taxpayers. Mr. Milone commented on an additional user fee charge to non-profit sewer users (prison, Elim Park etc.), and advised the town attorney's office is doing legal research on this possibility. The consumption figures are available, and the charges could be spread out over 20 years. There would be a review of the non-profit users, percentage of usage of each, with fees amortized over 20 years as a second user charge. There must be consistency across the board, and the revenue would be used to pay off the debt service on the treatment plan upgrade. It would be defined as a "user charge". The matter will be discussed further when the Public Works Department presents its budget.

Page 109 - Cheshire Police Department (CPD) Special Duty \$15,000, for potential use and reimbursement for CPD vehicles at a work site.

Mr. Jaskot reviewed other miscellaneous revenue -- CIRMA \$20,000; Town and BOE encumbrances \$150,000; Cell Towers \$87,000; WPCA energy rebate \$205,000.

Page 111 - Education State Grants. Mr. Jaskot stated this is the bulk of the state funding, and is decreasing by \$69,000. ECS Grants +\$156,000; \$9.56 million in 2016; Building Grants have a \$162,000 decline.

Special Education looks at trends and enrollment, is being funded at \$750,000 in FY 2016. Mr. Masciana stated with special ed excess costs, when it is higher than budgeted, there is no full reimbursement from the State for the excess costs. In Cheshire, special education student population continues to increase.

Page 113 - Miscellaneous Education has a decrease of \$28,640, or -27.72%. General Fund Equity is \$700,000 for FY 2016.

Mr. Oris asked about the Town BOE paying for bussing of private school students without reimbursement.

Mr. Masciana replied that the BOE is obligated to provide transportation for these students, without reimbursement.

Page 116 - General Fund Balance Analysis. FY 2016 estimated surplus of \$408,113; Available Fund Balance June 30, 2016 \$9,837,616; appropriation to FY 16-17 budget of \$700,000; Unassigned Fund Balance July 1, 2016 \$9,137,616, 8.64% of GF expenditures.

Biennial Budget will be reviewed at the March 15th meeting; there will be review of handout pages 11, 12, and 13; look at debt service reserve, how it will be used and allocated over the years for the upcoming spike with various approaches.

4. ADJOURNMENT

MOTION by Ms. Nichols; seconded by Mr. Oris

MOVED to adjourn the meeting at 8:22 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton, Clerk