MINUTES OF THE JOINT TOWN COUNCIL SPECIAL MEETING AND BUDGET COMMITTEE MEETING HELD ON THURSDAY, MARCH 11, 2010, AT 6:30 P.M. IN ROOM 207-209, TOWN HALL, 84 SOUTH MAIN STREET, CHESHIRE CT 06410

Present
Council Chairman Tim Slocum; Budget Committee Chairman David Schrumm; Michael Ecke and Thomas Ruocco.
Town Council members Anne Giddings, Andrew Falvey, James Sima, Timothy White. Absent: Justin Adinolfi.
Staff: Michael A. Milone, Town Manager; Patti Lynn Ryan, Finance Director.
Guest: Matt Spoenndle, Financial Advisor

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.

   Budget Forman; Overview; Revenue; Employee Benefits; Debt Service; Capital Non-Recurring.

Town Manager Milone distributed supplemental information on the FY 10-11 proposed budget.

Mr. Milone explained that this is a line item budget, with every line item and every explanation of every expense in the budget book. There is a summary budget book with every department’s budget, goals and objectives, accomplishments and performance measures.

General Government - in the increase of $695,000, $515,000 or 74% is for employee benefits.

The impact on the overall taxpayer at the mill rate of 26.70 is $158 or 2.50%.

Supplemental page 1 – reflects the proposed budget increases and actual adopted budgets for 10 years (2001-2010) and 5 years (2006-2010). Last year Mr. Milone’s proposed budget increase was 1.19%, a $1.1 million increase. The Council adopted a 0.40% increase or $373,298. The information shows the changes in the mill rate, what had been proposed and what was actually adopted.

Mr. Milone said that trends can sometimes be very important and instructive, and gives a good frame of reference. While the current proposed mill rate increase is
more that last year’s increase, it is probably the smallest proposed increase since 1996 when the proposed mill rate increase was 0.20 of a mill.

Page 33 – Operating Budget Summary. This budget summary shows each department, actual 2009 expenses, what was budgeted in 2010, what requested for 2011 and what the Town Manager is recommending for 2011. Five departments will have a 0% increase; three departments will have an increase of less than 1%; three departments had between 1% and 2%; and four departments had less than a 2.5% increase. The Public Works Department budget is less than the FY 2009 budget; Finance Department budget is $66,000 less than its 2008 budget; Public Property budget is $66,000 less than three years ago.

Estimated expenditure column shows that the projection is about $1 million under expenditure in the 2010 budget. There is $600,000 freeze in the C.N.R. fund; contingency is $125,000; $100,000 under expenditure in the Administrative and Finance section; $100,000 under expenditure in Public Safety.

With a continued projection of a healthy surplus, Mr. Milone would recommend releasing some of the C.N.R. money for the projects intended. There is concern about the medical benefits account, and it would help immensely to put some of the surplus into this fund in what could be a very bad year next year. The stop gap for medical benefits limit is 110%. There is also a stop/loss cap where anything which exceeds the 110% is reimbursed to the Town dollar for dollar. If it is predicted the town will have $1 million in claims next year then the Town’s obligation is to 110%, or $1,100,000. If claims exceed this amount the payment does not have to be paid in the current fiscal year. The expenses are rolled into the subsequent fiscal year, with pay off in one lump sum or over 12 months. For a single catastrophic claim over $150,000 the insurance company will pay dollar for dollar after that without reimbursement.

Page 34 – this chart shows the increases by department with line items controlling the costs.

Page 35 – the major objects of expenditures with departments; expenses are aggregated by the type of expense; 100 series is Personnel Services; 200 series is Supplies and Services; 300 series is Utilities; 400 series is Contractual Services; 500 series is Professional Services; 600 series is Equipment; and 700 series is Miscellaneous.

Supplemental page 2 – this shows the totals for each of the major object categories, from 2006-2011. For FY 11 the total salaries expense is just over $11 million, 2.8%, increase of $238,585. Last year the Personal Services was reduced by .01%, and in previous years it was up to the 5% range. There has been a marked change in the dollar amounts and percentages, and the average increase for the last 2 years has been about 1%. Expenditures on the salary side have been reduced. Supplies and Services are dropping by $2,300; Utilities is
dropping by $22,000; Contracted Services is increased by $23,000 due to the cost of the Solid Waste contract with tonnage through Covanta increasing to $65 per ton. In subsequent years, based on the contract, this increase is marginal, about 3% after the first year. Tonnage should also go down as people are recycling more and more.

Mr. Falvey will have a Solid Waste Committee meeting in April to discuss and consider going with single stream collection, and this would increase recycling in the community.

In each category, except for personal services and contracted services, everything is going down. The 700 account is the aggregate of all the large ticket items, and includes employee benefits and debt service.

Page 3 – Tax assessment for the average taxpayer with real estate and 2 motor vehicles would be $226,920. The tax payment at 26.70 proposed mill rate will be $6,485, $158 or 2.50% more than this fiscal year. At 26.60 mill rate the tax payment would be $6,461 or $134 increase, +2.11%. With a 26.60 mill rate, the tax reduction would be $277,020, and the Council would have to come up with a combination of expenditure reductions and/or revenue enhancements to achieve that number.

Mr. Schrumm noted that any reduction in the mill rate also affects the PILOT repayments.

Page 4 – Mill rate adjustment calculations. A mill rate adjustment for FY 2011 is adjusted proportionately between the Town and BOE. The Town’s share is 28.90%; the BOE share is 71.10%. If the mill rate were reduced by 1/20 of a mill (0.05) or $138,510, the proportionate share would be Town $40,024 and BOE $98,486. The calculations illustrate the adjustments from 0.05 mills to 0.90 mills for both the Town and BOE. The value of a mill is $2,770,199. Mr. Milone pointed out that these percentages are not based on the total budget, and that debt service, contingency, C.N.R. are not included in the calculations.

Page 84 – Ms. Ryan stated that this chart provides an overview of the major categories of revenue, shift in percentages, and depicts actual changes from FY 06 to FY 09, FY 10 appropriation and FY 11 Manager recommendations. Taxes make up 78.1% of the total budget revenue or $74.9 million.

Page 89 – The pie chart shows the General Fund revenue for FY 2010-11, the total budget of $95,982,094. Ms. Ryan stated there is concern about the income revenue.

It was noted by Mr. Schrumm that the stimulus money of $500,000 for two years is for new spending and is not in the budget.
In 2012 Ms. Ryan said this money will not be there.

Mr. Milone stated that the stimulus funds are supplanting and not supplementing funds, and the $140 to $150 million will be gone in 2012. Loss of these funds will create a hole and the State will not fill in that gap.

Page 7 – this page shows 1996 and 2011 four major revenue components. In 1996 69% of revenue was made up by taxes; in 2011, 77% of the revenue is made up by taxes; there is a significant drop in State aid of more than 5%; and other revenue has dropped by 3%. The burden has been shifted onto the local taxpayers.

Page 90-91 Current Tax Levy. One mill is worth $2.7 million. Ms. Ryan reported that the estimated tax collection for this year is at 99.4% and there could be a lien sale this year. The past lien sales have been successful.

Mr. Milone said the Town continues to budget at the rate of 99% collection rate, and for every 1/10th percentage increase in collection there is revenue of $75,000 generated.

When the tax number was developed, $2 million was taken out of the grand list due to the appeals process. Assessor Panagrosso estimates how much the adjustment might be. With an increase of about $10 million in the grand list, only $8 million is being used for budget purposes. There were 233 appeals last year; it is now down to 13 appeals; some lawsuits were settled; and the remaining cases are moving through the legal system.

Mr. Slocum heard there were more appeals this year, particularly businesses.

Every time the grand list is filed, Ms. Ryan said there are appeals, and the 13 remaining appeals are due to the revaluation year. Businesses regularly file appeals knowing there will be some reduction by the legal system.

The Council was informed by Mr. Milone that Assessor Panagrosso has a sense of all this, knows there will be challenges, and the decisions are based on the value of the property, not value of the business. In the past years, revaluation has been done in a bad economy.

Page 162 – the chart on this page reflects the tax collection rate, current levy, actual vs. budget history for 10 years. It shows the collection rate at 98.6% for most years, with the last 2 years at 99%.

Mr. Schrumm said that last year $300,000 was taken from the surplus and put into the budget. This year it could be lower with a 99% collection rate. Regarding the surplus, C.N.R. Mr. Schrumm said this should be left frozen.
Page 157 – The 10 year surplus history was reviewed by Ms. Ryan. In FY 05 to FY08 the Town did received windfalls of State aid which increased the surplus.

Pages 92 and 93 PILOT payments – with funding at statutory levels the revenue from the PILOT programs would be $2 million more, at $4.1 million. Another under-funded revenue item is Manufacturing/Equipment with the Town losing about $181,000 in revenue. Colleges and Hospitals reflect a loss of $180,000 in revenue.

Mr. Milone reiterated that the PILOTs are not funded to the statutory levels. The State of Connecticut PILOT revenue is increasing by $282,000; the Pequot revenue is going up by $205,000; prison property increased in value by $20 million. This lags by one year, and as a result the Town got a larger share. In the Governor’s budget, which must go through the legislature, anything can happen. There is a reduction of $50,000 to $60,000 revenue in the PILOT.

Pages 94-95 Town Departments – the revenue is similar to last year. The Town Clerk’s revenue appears to be solid; the Building Department’s revenue will be lower.

Mr. Milone commented on the fact that four years ago, the real estate conveyance tax generated $482,000 in revenue, and the building fees generated $506,000 in revenue. Both have dropped by a few hundred dollars this fiscal year.

Pages 96-97 State Grants are .26% of the budget. Town Miscellaneous revenue comes from investment income, WPCD reimbursement, sewer assessment payments, and other smaller revenue sources. Investment income is $180,000 to $190,000 less than budgeted in the current year; WWTD subsidy will be reduced by $100,000 this year and $100,000 in future years in order to increase their fund for future large expenses and current obligations.

Page 98 State Grants for Education – It is expected that the 2011 estimate is holding; 2012 will see a reduction due to no more stimulus money. For the special education excess costs, Superintendent Florio has informed Mr. Milone there will be no reduction, and this revenue will come in as anticipated.

Pages 100 –101 General Fund Equity – there is a recommendation to use $600,000 for FY 2010-11.

Page 103 General Fund Balance Analysis – the current year’s budget estimates a surplus of $920,000; there is $9.3 million in fund balance which is 8.7%; there is $1.1 million available to balance the budget this year.
Page 5 Supplemental – this chart shows the fund balance trends from 1991 through 2011, how much was used to balance a budget, with an additional appropriation to the BOE of $171,000 in 2009.

Mr. Milone said he would be discussing with the Council using some of the projected surplus funds for the medical benefits account, noting that the $920,000 number is fluid.

(Mr. White entered the meeting at 7:32 p.m.)

Page 82 Debt Service – total General Fund Debt Service is $9.3 million; Sewer bonds are $1.013 for sewer line extensions; WWTP Station debt is $1.257 million for station upgrade in 1991, with the Town paying $2.3 million of their debt service.

WWCD is making payments of about $541,000. About $150,000 of the $500,000 in revenue to the Town is for administrative reimbursement, and the balance goes to debt service. With all things calculated, the Town is subsidizing the WWCD debt service by about $1.2 million. After using $126,562 from the debt reserve there is a balance of $790,000, which is from the bond proceeds closed out last year.

Page 148 Debt Service Payment Summary – 2011-2012 debt service will increase to $9.5 million; and in 2012 the Town will have to use another $189,000 to keep the debt service level. Debt service, as a percentage of the operating budget, is looked at to measure the fiscal health of a town, and Cheshire tries to keep it level. Debt service is based on debt paid, unauthorized/un-issued debt, and the five year capital plan.

Mr. Milone stated that with any modification of the five year capital plan these numbers will go down. There is a $600,000 to $700,000 reduction in debt service if the Town stays on plan, and Mr. Milone said it is better to take on a large project when debt service is going down.

Ms. Ryan said that future projections of revenue show the tax levy increasing quite a bit, and it will be conservative going forward.

Mr. Schrumm commented on assumptions being at 5% rate, and most of the time there are surprises on the down side with lower costs for some projects. He said the pump station was dramatically lower than expected.

Page 149 – Mr. Milone said this page shows the outstanding principal debt at just over $66 million. About four years ago it was in the low 70;s, so it has declined.
4. AUTHORIZATION TO RE-FUND UP TO $10 Million in GENERAL OBLIGATION BONDS.

Page 82 – Mr. Milone said three things need to happen to bring debt service down from this year to next year; debt service has declined by about $187,000; and the $126,562 from debt service reserve is recommended to be used, and advanced re-funding can generate a savings of $200,000. The town has done three re-fundings in the past 12 years. We will be going into the market place, retiring old debt, replacing it with new debt at a lower interest rate. The call provisions are not coming up yet. It is a future date. We have two outstanding obligations working simultaneously, but the delta is supposed to be significant enough so that even with paying two debt burdens there is money saved with the lower interest rate.

Matt Spoenrndle, Financial Advisor, was introduced to the Council.

In order to proceed with the re-funding, Mr. Milone explained that the Town Council must adopt a resolution authorizing him so the financial advisor can go into the market and begin to negotiate a rate that will generate a savings of at least $200,000 or more.

Mr. Spoenrndle informed the Council that the Town is presented with an opportunity similar to 2004 where the interest rates are low enough to refinance bonds at a lower rate. Interest rates are at an all time low making borrowing money very helpful. He is hoping to get authorization for a $10 million to give flexibility to enter the market at the right time, maximize savings for the Town. New funding bonds would be issued; proceeds would be put into an escrow account; out of this escrow would be paid the interest and call on the bonds to be re-funded. The older bonds are taken off the balance sheet and there is an effect of cash flow savings.

The 2006 bonds at 5% would be reduced to 2.50% at a 20 year bond issue. The term has to be linked to the bonds being re-funded, so the bonds would be 12 year bonds. The savings realized is net of all fees.

Mr. Sima asked if the bonds can be paid off at different intervals.

Mr. Spoenrndle said these particular bonds are callable with the first call date of August 2011; the next is February 12th, and then August 14th. New bonds are issued; the money goes into the escrow account; and old bonds are replaced with new bonds. He said that $10 million is the appropriate level for this transaction. In 2004 the Town had a $30 million issue.

With refunding of $10 million, there could be about $300,000 of savings, which is 3%, and anything over 3% is a good deal. Mr. Spoenrndle hopes to get more
than 2%, and up to 3.55 to 4%. Everything hinges on interest rates staying where they are, and he said the market has been volatile. Mr. Falvey commented on the call provision built into the bonds, utilizing the call provision all the time, and asked about the long term impact to the Town, devaluation of the bonds in the market and rates being driven up.

This refunding will not have a negative impact on the rates, and Mr. Spoenndle said when an investor buys a bond they know there is a call provision. When the bonds are purchased by the underwriter and subsequently sold to the investor they are priced to that call. From an investor, market, and rating agency standpoint, if rates are at a certain level and you can refund and call those bonds, it makes the investor whole and you do it. The previous refunding of Cheshire bonds took place over a 12 year period and this is most acceptable.

Town Manager Milone noted that Cheshire had a credit rating upgrade a few years ago, and it brought the interest rates down to where the margin for savings was a little less. Relative to the call provision, the town pays a premium on this to make it more attractive for the investors.

If inflation goes through the roof and our municipal bonds tank, Mr. White asked if the Town has the option to go out and buy them in the market.

Mr. Spoenndle stated that once it is set up it is a legal and binding obligation, an escrow agreement is set up, and it is locked up, and what is done is done.

Mr. White asked if the Town could take the escrow fund and buy into the market.

Mr. Spoenndle said that in practice it does not happen that way.

According to Mr. Spoenndle this is a good time for borrowers, and how long it continues depends on the economy. With lower interest rates, they could move up a bit, and with higher rates it means a better economy.

Mr. White asked if the $6 million referendum on the pool is covered by this $10 million, if the bond sale could be $16 million, and the timing of the transaction.

Town Manager Milone stated that the Town cannot borrow $6 million without an authorized project, and questioned how this would be justified.

Mr. White commented on the refunding of the bonds taking place after the referendum on the pool.

The Council was informed by Mr. Spoenndle that the goal with any transaction is to capture the good interest rates, and the timing on this transaction would be within the next 4 weeks.
Mr. Spoenrindle explained how the sale works. A financial statement is put out; get the ratings; sell bonds on a given day; the best price wins; and the bonds would be sold only if the savings are good.

Without good savings, Ms. Ryan said the Town would pull back. A floor of 3% savings has been set, or otherwise it is not worth going through the transaction. This is time sensitive, so it lends itself to a negotiated sale.

Mr. Spoenrindle said an underwriter is selected who works with him, the numbers are run, give the underwriter the documentation so they can pre-market your issue, and price appropriately. He has seen issues get tabled; there is no obligation to do anything; and he only works with one underwriter for the best price. The bonds are identified to the maximum savings for the $10 million issue. It is possible the underwriter could only sell half of the bonds or $5 million, and must make the decision on taking the risk on the bonds. Without sale of enough of the bonds, the underwriter may have to re-adjust, and present something to Mr. Spoenrindle to meet the Town’s needs.

MOTION by Mr. Ruocco; seconded by Mr. Slocum.

BE IT RESOLVED, that the Town Council approves Resolution #031110-1

RESOLUTION #031110-1

BE IT RESOLVED, that the Town Council approves the Resolution with respect to the authorization, issuance and sale of not exceeding $10,000,000 Town of Cheshire General Obligation Refunding Bonds.

Discussion
Mr. Slocum asked about this resolution going to December 31, 2010, and if this is a comfort zone for the Town.

In response, Mr. Sprondel said bond counsel usually picks the fiscal year end or calendar year end. Sometimes the life cycle is 6 months. If nothing happens by December 31st, he will come back to the Town Council.

VOTE The motion passed unanimously by those present.


ELECTIONS – Aleta Looker. Ms. Looker, Democratic Registrar of Voters, introduced the Deputy Registrars – Dawn Strahley and Anne McBain.

Ms. Looker informed the Council that she expects there will be both Republican and Democrat primaries, a referendum, along with the November elections and
this means a great deal of work for the Registrars office. The office is open every day that Town Hall is open, 9 a.m. to 3 p.m.

A letter has been received by the Registrars and the Town Manager from LHS Associates regarding the cost of maintenance for the optical scan tabulators. Each machine maintenance and coding costs $200, and Cheshire has 20 machines for a total of $4,000. This is not in the proposed budget, and Ms. Looker said that the Registrars may have to return to the Council and ask for this money. The Secretary of State did not inform the municipalities about incurring these maintenance costs, and Ms. Looker said the deal is still in the process being reviewed for accuracy.

At the present time the department is working on the canvassing, processing letters, and registering voters. There are 18,050 voters in Cheshire. People who do not respond to the letter, will come to the office to register and the voter number will increase. This requires the staff to be in the office. Staff must learn about the new computer process, and the State is updating the system which will require staff training. Cheshire is still running a parallel system along with the State system, on a two computer system…the State information on one computer and the Towns information on the other system. Internet connections are not available on the State system; it is not allowed to be used due to the possibility of hackers.

Mr. White asked about the time line for maintenance of the machines.

There is no maintenance now and Ms. Looker advised the machines have not had maintenance for many years because it was so costly.

Mr. Sima asked about being linked to this one company.

Ms. Looker said this company is the supplier for the State of Connecticut through the Secretary of State’s office.

PUBLIC
Derf Kleist, Lancaster Way, asked about the financial impact of changing polling places from Epiphany Church to ArtsPlace.

There was savings with this change and Ms. Looker said it was because there was no rental fee involved.

Mr. Kleist asked about forms being completed at home from the web site or if they must be completed in the office.

Ms. Looker explained that forms can be down loaded from the computer, but the public cannot use the Registrar’s terminals. There is a supply of forms in the office to be completed. All office paperwork is kept in a fire safe cabinet.
Regarding the GIS link, Mr. Sima asked if this is linked to State offices or just Cheshire.

This is just Cheshire and Ms. Looker said that with the GIS she can see the exact location of the voting districts. Some mistakes were made and corrected.

The Councilors thanked Ms. Looker and the Deputy Registrars for coming to the budget meeting.

TOWN CLERK – Carolyn Soltis. (pages 72 and 13)

Mr. Milone stated that this department budget increases by $17,000 or 6.51%. The salary increases are self-explanatory; the only non-salary increase is in the contractual line, $3,000, for recording of land records.

Mr. Milone informed the Council that he will be testifying on Monday, March 15th, at the State with regard to keeping the real estate conveyance tax.

Carolyn Soltis, Town Clerk, advised the Council that the real estate industry is lobbying to sunset the real estate tax.

Regarding the maintenance of land records and the State grant to do this, Ms. Soltis noted that the grant is reduced each year. In the first year Cheshire qualified for $7,500; 2nd year it was $10,000; and the last two years it has been $12,000 and $10,000, and this year it is $6,000. Ms. Soltis stated that she has done what needs to be done with the grant funds available. Land records are all filmed, and vital statistics are filmed through 2001. She has spoken with the vendor about having 2001-2009 vital statistics as part of the current grant.

Ms. Giddings stated that the Department of Health keeps a copy of the vital statistics.

Ms. Soltis noted that the DOH does not keep these records by town. They need to be recorded due to a flood or fire which could destroy these records.

Mr. White asked if there is a State mandate governing preservation of records.

There is no mandate but Ms. Soltis said the Public Records Administrator encourages the recordings.

With regard to the hours in the Town Clerk’s office, Mr. Milone stated that last year he cut 10 hours, with part-time going from 30 to 20 hours. The level of activity in this department cannot justify any further reductions, and the cut hours cannot be restored for any departments.
Ms. Soltis noted that there has been a pickup of house sales in Cheshire, and she expects the real estate conveyance tax revenue to be better than last year. She expects an increase in recordings. When a recording comes in and it is a one page document, it is $53 for the recording, and $5 for each additional page of this same document. These fees are set by the State of Connecticut by State law.

Mr. Schrumm asked Ms. Soltis about cross training between her department and another department, and what the department would be.

In reply, Ms. Soltis said it would probably be the Registrar’s office because the Town Clerk’s office deals with this department on a regular basis. The Clerk’s office handles registrations that come in before 9 a.m. and after 3 p.m. and then submits them to the Registrars for processing.

Mr. Falvey asked about the imaging and filming being outsourced.

The staff scans the document to be put into the big book, and Ms. Soltis said the filming is on a disk, sent once a month to be put on film and stored in an underground vault. ACS is the vendor for this work. It has been a long time since this work went out to bid. Ms. Soltis said that to switch over, there are very few vendors who do this work, and if there is a switch it must be for the whole program. Cheshire’s records date back to 1752.

Mr. Slocum commented on $320,000 estimated revenue from the real estate conveyance tax, and what percentage of this was achieved this year.

As of March 10th, Ms. Soltis said the office has collected $211,439, and the busy season is coming up now.

Mr. Milone said that this tax revenue only increased by $50,000 in the next year’s budget. 50% to 60% of the Town Clerk’s office revenue is from the real estate tax.

Ms. Ryan noted that the Building Official’s revenue is falling behind on an annualized basis. The Town Clerk’s revenue is solid on an annualized basis.

PUBLIC
Derf Kleist asked about Town Clerk office forms which can be completed at home or on an office terminal.

In response, Ms. Soltis advised that the conveyance tax forms and dog license forms are in triplicate, and cannot be completed at home. These forms go to the Secretary of State. The public cannot use the office terminals.

Mr. Kleist asked about charging a fee or bartering services with other towns.
Ms. Soltis said this cannot be done because other towns have their own Town Clerk’s office as required by State statute.

The Councilors thanked Ms. Soltis for attending the meeting and providing information on the department budget.

**MEDICAL BENEFITS pages 48 and 63**

Ms. Ryan stated that the overall increase is 11.22%, and the first quote was a 15% across the board increase which is usually a $2 million line item. Claims experience has been good for last year, and this year claims experience has not been good. The increase will be about 15%. The excess 10% is never budgeted in the self insured fund. On average over the past 5 years there has been about $235,000 used from the fund balance for the medical trust fund. As of the end of February the Town’s portion is about $100,000. There should be an estimated 3 months of claims, or $600,000, in the fund at all times. The BOE should have $1.8 million and they are having the same problems as the Town. With health care reform and people losing jobs, more people are using their medical benefits. The Town has had an unprecedented use of claims. Last month claims were up again. Cheshire will not get the 10% increase, and it is expected to be closer to 15%.

Every year “X” dollars are put into the medical trust fund and Mr. Schrumm said it should have been 110% due to past good experience. He questioned how much was put into the fund in FY 2010.

Ms. Ryan said in FY 2010 it was $2.1 million, and in previous years the Town has been left with a balance in the fund.

Mr. Milone stated that last year the Town’s fund had a balance of $510,000 at year’s end. He referred to page 4 (small book) and the chart. Through February the blue is paid claims ($1,723 million) and the red column is money put into the account ($1244) for a spread of $479,000. The Town paid out $479,000 more than it put into the account.

Ms. Ryan noted that the recommended cushion is $600,000.

Mr. Schrumm asked about taking money out of the reserve account, i.e. get a cushion back, and with a good year put money aside for the cushion. He asked how the cushion in the account can be restored.

To restore the funds, Mr. Milone said the Council could redirect some of the surplus from this year to the medical benefits fund balance. The BOE has a similar situation with bad claims experience.

Mr. Schrumm suggested putting $600,000 into the trust fund, adding another $300,000 and restore the fund.
The Town does not have a safety net, and Mr. Milone said we are budgeting what expected claims are, but if they exceed this amount, there is no safety net. In the past there has been good claims experience and claims could be paid, but not for the last 18 months. Anything exceeding $350,000 must go to referendum, so Mr. Milone said it is better to make any decisions as part of the budget process. Mr. Milone wants to discuss reserve accounts with the Council during this budget process.

Last year the BOE took money from their surplus and put it into the trust fund, and Mr. Sima asked whether the Town did the same thing, and if it would be subject to referendum.

Mr. Milone said it would not be subject to referendum. Once there is the total appropriation, the Council has the authority to move money any way it wants to. If the total budget appropriation is increased over $350,000, that goes to referendum. He will be asking the Council at some point in the year to transfer money from some line item into medical benefits and the trust fund.

At this time, expected monthly claims are over $100,000 and Ms. Ryan said she will have the claims report available to the Council on March 15th. The Town is $381,000 over expected claims for the year. There will be negotiations with Anthem.

Ms. Giddings said that the budgeted amount for the medical account turns out to be almost $230,000 a month.

Mr. Milone talked about Health Savings Accounts (HSA) which some employees have gone into. However, the Town is not seeing the migration to HSA as in the past. HSA saves money, but they are now going up consistent with the PPO. In order to sell the Health Savings Account the Town must illustrate what is being paid and what will be paid with these accounts.

Ms. Ryan explained that Anthem is backing off the Health Saving Account because the savings are not coming to fruition, and premiums have increased by $5,000 to $6,000 on a family.

PUBLIC
Derf Kleist asked if there is an accurate analysis of the medical bills submitted.

Mr. Milone said an audit has not been done in 4 years.

Derf Kleist asked what percentage of employees smoke.

Mr. Milone did not know the percentage. He noted that the Town does a lot with wellness programs, which includes a $200 payment to join a gym, half a day off
from work for cancer screening. Other than smoking cessation program there is no formal "no smoking" program.

Derf Kleist asked what percentage of employees is overweight.

Stating this is a relative term, Mr. Milone said that some people do not consider themselves to be obese. A list is sent out each year on all the programs offered by the Town, defining the subsidies, to stimulate interest in exercising and good nutrition. The people who take advantage of these programs are those who least need them.

Workers Compensation Insurance – Ms. Ryan stated this is increase by 12% and the broker is shopping around for this insurance. The rate is based on claims.

Mr. Milone said the Town has an executive and employee safety committee, with the risk manager coming to all meetings. The Town has not had major workers comp claims.

Ms. Ryan commented on CIRMA trying to change classification of employees in order to increase workers comp rates.

In that regard, Mr. Sima informed the staff that his company saves money with workers comp by changing classification and variation of jobs within a classification, and the rates are adjusted.

Mr. Milone said the problem for the Town is that CIRMA gets generic and will not do this for one municipality. Each municipality has to convince them so they have the same model. Ms. Ryan will check into the approach cited by Mr. Sima.

**Heart & Hypertension page 66**

This fund has contributions every year; $300,000 is spent each year; and there are the same projections for FY 2010-11. At the end of 2009 the fund had $700,000 balance. With the cash contribution of $300,000, and using this $300,000 there will still be $700,000 at the end of the year. On an accrual basis the Town has a $2.9 deficit because of occurred but not reported claims.

Mr. Schrumm commented on the fact that in 1995 Heart and Hypertension went from an absolute liability to more of a presumptive one with the Town able to challenge claims. Cheshire has a ways to go before it runs out of benefit from this legislation. At the end of this year with the $300,000 contribution, Mr. Schrumm said the account will still have a $700,000 balance.

Ms. Ryan said the $2.1 million as of June 2009 is the total liability for heart and hypertension. The actual payments each year are about $300,000. One structured payment ends this year, and there are no claims pending to be paid. When payments are settled, they are structured through installment payments.
**Pensions - page 69**

Ms. Ryan said the pension fund is holding steady. An evaluation is to be done on July 2, 2010, and it is expected that contributions will increase at that time. A report on the pension fund is due out December 2010. When the market dropped 30% the Town lost in its investments. The assets have come back by one-half now, and by July they will be in better shape. At their high the assets were at $55 million. The pension area is one which she and Mr. Milone will recommend to use some reserve funds to put money away because the contributions will be higher.

Page 163 – the graph illustrates the actual values of assets versus accrued liabilities. Mr. Milone stated that the pension fund was over funded for 4 or 5 years and the Town did not have to make contributions.

Mr. Milone informed the Council that new, non-union employees and dispatchers hired in the last year only have the defined benefit contribution available to them. All the other unions have the defined contribution plan.

**OPEB (Other Post Employment Benefits)**

The first evaluation has been done on OPEB and the Town has the final report. BOE retirees are entitled to OPEB to age 65 with their payment of the premiums. These people are an older age group and their claims are becoming higher while they pay a lower premium rate than normal. The retiree contribution is $1.4 million a year. VEBA is also to age 65, and has an annual $600,000 required contribution, and a small Town portion is about $100,000 a year. $2.1 million per year will show up on the financial statements for the first time in the July 2009 financials.

Ms. Ryan said there is no requirement to fund OPEB. The overall liability is about $22 million. Now, OPEM must be funded like a pension. The benefit of VEBA is that they are a trust fund and have separate investments than operating costs, and it is managed by the Retirement Board. Because the BOE and Town use operating costs to pay for these expenses, they can only use a 4.5% discount rate to invest in agencies, money markets and the like. The Police Department uses a 7.5% discount rate. The transition is hard from pay as you go to funding. The annual financial report will have all of the information on OPEB. The BOE retirees are paid out of the medical trust fund, and police retirees are paid out of the VEBA which has $900,000 in assets.

Supplemental, page 6 – shows the areas of concern and comments/results.

Mr. Milone distributed information on the C.N.R. projects proposed for 2011, which total just under $1.1 million.

Mr. Schrumm stated that if the FY 2009 information was on the sheet, there would be a bunch of projects that were not done in 2009, and the money was
allowed to fall from C.N.R. into funds then used in the operating budget we are in now. In looking at a column 2009, he would see this add up to $900,000.

Mr. Milone explained that 2009 has been moved forward, some projects have gone away, and some projects have been put into FY 11-12. There is no lag of projects that have to be done. What stands out are the projects for this year, some of which are on hold to have a safety net. Some of the 2009 projects are being bonded – 2 dump trucks in 2011 in the bonding portion.

The $695,000 in bonding projects were cited by Mr. Milone.

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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Capital Planning Account</td>
<td>$110,000</td>
</tr>
<tr>
<td>Property Revaluation</td>
<td>$50,000 (on hold)</td>
</tr>
<tr>
<td>Roof Repairs at Police Dept.</td>
<td>$165,000 (on hold)</td>
</tr>
<tr>
<td>Open Space Land Mgmt.</td>
<td>$60,000 (on hold)</td>
</tr>
<tr>
<td>Dump Truck</td>
<td>$200,000 (not spent)</td>
</tr>
</tbody>
</table>

Without doing these projects, Mr. Schrump said there is about $695,000 in savings.

Mr. Milone reported that the GIS project for $135,000 has been pushed out.

6. ADJOURNMENT

MOTION by Mr. White; seconded by Mr. Falvey.

MOVED to adjourn at 9:35 p.m.

VOTE The motion passed unanimously by those present.

Attest:

___________________________________
Marilyn W. Milton, Clerk