MINUTES OF THE CHESIRE TOWN COUNCIL BUDGET COMMITTEE
MEETING HELD ON TUESDAY, JANUARY 19, 2010, AT 7:30 P.M. IN ROOM
207, TOWN HALL, 84 SOUTH MAIN STREET, CHESIRE CT 06410

Present
Budget Committee Members David Schrumm, Chairman; Michael Ercke.
Absent: Thomas Ruocco.
Town Council Members: Timothy Slocum, Justin Adinolfi, Anne Giddings.
WPCA Members: John Atwood, Chairman and Mark Korman
Staff: Michael A. Milone, Town Manager; Pati Lynn Ryan, Finance Director;
James Jaskot, Deputy Finance Director; Dennis Dievert, Superintendent, Waste
Water Treatment Plant.

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. WATER POLLUTION CONTROL AUTHORITY BUDGET
Mr. Schrumm stated that there will be review of the WPCA budget and outlook
before the Council gets into the operating budget and capital budget. Given the
complexity and size of the issues facing the WPCA, there will be implications on
the operating budget. The problems revolve around the upcoming Waste Water
Treatment Plant (WWTP) project.

Documents were submitted to the committee and those present at the meeting
on the FY 10-11 and FY 11-12 Budget Planning, and the WPCA financial
overview of October 28, 2009 which was presented to the Authority by Mr. Milone
and Ms. Ryan.

Mr. Milone stated that pages 3 and 4 of the WPCA financial overview are related
to the debt service which will be choking the Authority, as they will not be able to
pay for their debt service going into the future.

Page 1 – summarizes the revenues, expenditures and changes in fund balance
for actual 2009 and projected 2010 out to 2013. Debt service grows dramatically
from 2009 to 2013. To simply balance the WPCA budget the Authority will need
significant increases from fund balance, from $267,000 in 2010 to $1,016 million
in 2013. WPCA does not have this money, and will exhaust its fund balance by
the end of 2011.

The analysis on this page shows that the fund balance for WPCA would be
completely utilized by the end of 2011, with a $164,000 shortfall. Going out the
next two years WPCA would run close to a $2 million fund balance deficit based
on this analysis.

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Page 4 – A mitigation plan was compiled on how to recommend options to the WPCA and Council for ways to offset the problem. The first step is decreasing the General Fund transfer from WWTP from $650,000 to $100,000 less each year, going out to 2013 with a $350,000 transfer. The effect of this would be WPCA picking up $600,000 over 3 years. The second step could be an increase in the user fee of $10 each year in each of the next 3 years. A $10 user fee increase equates to $185,000 in revenue. The third step is redirecting some of the CARRA money at $200,000 a year. The WPCA budget is $3 million; having a $260,000 fund balance is adequate; and the fund balance could be reduced as long as it is at the consistent level of $250,000 to $300,009.

Page 5 – is a summary of the WPCA capital budget. All assumptions were made on a $10 million appropriation for the treatment plant upgrade. Now, the consultant has stated that the project could be up to $35 million.

Page 9 – FY 2010 Sewer Related Debt Service – this was reviewed by Mr. Milone, with a gross sewer debt paid by the General Fund of $2,260,643. This debt is reduced by $1,285,929, and the net sewer debt paid by the General Fund is $974,714.

Ms. Ryan and Mr. Jaskot took the $35 million in possible capital expenses for the WWTP and tried to illustrate the burden and impact of that amount of money. At the request of Mr. Schrumm the staff took this $35 million, and showed the debt service costs over a number of years. The pool is another large project at about $5.1 million, so staff took this separately and showed its cost over the next number of years in terms of borrowing. Then, staff took the WPCA and Pool amounts, added it to where we are today with the General Fund current debt service obligations going out into the future, and the total of all three shows what the Town is facing.

Budget Planning Information – Mr. Milone noted that on slide #3 it states “this assumes no Clean Water Fund Grant” although the Town is applying for a 20% loan, and pressing the General Assembly to increase this grant to 30%. The information does not assume the 2% loan, or any other grant support. If everything happens the way he wants it to happen, Mr. Milone hopes for a 30% grant; continue to get the 2% loan; and negotiate with Dept. of Corrections for a grant in the amount of their percentage of their proportionate share of the effluent going to the treatment plant. This is about 25%.

There are a series of meetings scheduled to petition the DEP to back off on the phosphorus requirement. One-third of the $35 million capital project for the treatment plant is directly attributed to the phosphorus issues.

Ms. Ryan discussed the consultant’s number of $35 million for the treatment plant upgrade, noting that the Town does not have the money to float this project. This cost is the worst case scenario at $35 million, as a general obligation debt
and not Clean Water Fund revenue. The Town's fund balance is about $7 million.

Mr. Attwood commented on the treatment plant upgrade being delayed, and the cost possibly increasing beyond the $35 million number.

Ms. Ryan stated that the Clean Water Fund revenue is triggered by the scheduled completion date, and it is like a line of credit. She is in the process of costing this out with some assumed completion dates. In the first year after issuance, the Town pays accrued interest of 7 months, and pays the first principal payment in the 2nd year of issuance. In looking at the debt service schedule, slide #3, Ms. Ryan noted that by 2014 the annual debt service for the treatment plant project is as much as the WPCA budget which is $2.9 Million.

Ms. Ryan took the WPCA project issued at 5% interest, added it to the existing bonded debt that WPCA is paying ($435,000) and the debt continues to grow expeditiously. The WPCA fund cannot pay this debt service, even with a $10 million project.

Slide #5 – Pool Enclosure Debt Service Schedule Principal and Interest – Ms. Ryan said if the pool passed referendum in June for $5.1 million at 5%, the Town would have to issue right away because the fund balance is under $7 million. If construction were to happen the Town would have to absorb this debt service right away. If bonds have to be issued for this project, this schedule is what it will look like for principal and interest, 2010-2020.

On Slide #6, Ms. Ryan reviewed the debt service, 2010-2020. Column #1 is existing bonded debt, $10.5 million; column #2 has some un-issued debt for existing CEP; column #4 has 5 year CEP debt service added in, excluding all WPCA projects; column #5 is total General Fund existing and projected debt service; column #6 has the pool added in; column #7 adds in the WPCA upgrade; and General Fund Debt total is column #8, and column #9 is the increase/decrease in each year. Ms. Ryan noted that for a project the size of the WWTP upgrade it maximizes out at about $12 million per year. She noted that the General Fund is better able to pay this debt service than the WPCA. Adding the pool project and treatment plant upgrade on top of the already adopted capital projects for the General Fund, assuming WPCA will continue to fund smaller projects (pump stations), it is clear that the WPCA will need help in funding the plant upgrade.

Mr. Milone said the Council should look at the 5th column (Total Existing and General Fund Debt Service) which shows now debt service, exclusive of the pool and WPCA, is continuing to decline. To the extent we can defer some part of this cost out beyond 2015-2016, there will not be a much of a spike seen. In looking at column #4 Mr. Milone said that to mitigate some of that going out into the future will take some pressure off the debt service as well. He noted that all
this numerical data does not anticipate using all of the debt service reserve or any CRRA funds. It is exposure to assuming the worst case.

Slide #6 reviewed the increase in debt service over the years, and Mr. Schrumm noted that the big hit starts in 2012. He commented on the $900,000 debt reserve money and the $5 million CRRA money, which could be spread out using this as $5.9 million as debt fund leveling.

Ms. Ryan stated that the caveat on the unspent bond proceeds portion of the debt service reserve is that it can only be used for interest.

Mr. Schrumm said that the CRRA money could be used for principal or anything the Town wants.

According to Mr. Milone no assumptions were made about grants or loans in the information submitted. With the Clean Water Fund loan the Town would be borrowing at 2% rather than 5%, and borrowing at 70% or 80%. If the State kicks in another 20%, maybe 50%, this is all before what is proposed may not be needed, and the cost can be scaled back. The phosphorus represents 25% of the debt service, and the Town will push to delay this DEP requirement. The question is whether delaying an $8 million phosphorus requirement becomes $12 million project.

Mr. Milone noted that Mr. dievert has informed him that 7 towns were rated as low as Cheshire for phosphorus levels, and other towns will be impacted by phosphorus removal costs.

Mr. Dievert said there are about 28 other towns involved in the rating, and this is for any town which discharges into fresh water. He will be meeting with other towns on the phosphorus levels with the DEP to discuss the issues.

WPCA Chairman Attwood explained that there is now a capacity fee imposed on anyone who has not been assessed for sewers. All new construction without an assessment will pay a capacity fee. Much of what is being done today is paying for the penalties in the past.

Sewer Use Fees – Mr. Dievert submitted information from his canvass of 6 towns and their fees, with 3 towns using meter rates and 3 average user fees. Wallingford bills quarterly with the average bill of $310 commercial and $315 non-meter sewer uses. Meriden bills yearly at an average resident bill of $256, and non-meter sewer usages at 1500/63/person/billing period x $2.75/100 cf.flat rate. Southington bills yearly with an average of $300, and non-metered pay $37.26 per resident living in the home. Simsbury bills yearly at a flat rate of $320, with commercial and industrial having metered water usage. West Haven bills yearly at $242 flat rate, with commercial/industrial at metered water usage. West Haven bills yearly at $242 flat rate, commercial/industrial by
water usage. Stratford bills yearly at $250 flat rate and commercial/industrial by water usage.

In looking at this information, Mr. Dievert said that Cheshire is in the middle of the rating charges.

Mr. Schrumm said he believes Cheshire is eligible for the 20% loan.

Mr. Milone stated that the problem now is whether the State has the money to fund Cheshire's needs when the money is needed, but the Town is eligible for the program.

It was stated by Mr. Schrumm that Metcalf and Eddy filed the application in December 2009, and Cheshire meets the CWF criteria if the money is there.

Mr. Dievert informed the committee that DEP has a priority list to be published later in the year, but he is not sure when the State will release this list of towns getting the funding.

The priority list is published in November and Ms. Ryan said the State will issue bonds to fund the CWF projects and goes down the list of towns. Where Cheshire will fall is unknown, but the town is usually far down the list. But, there have been available funds in the past.

Mr. Schrumm said that if Cheshire is pushed down the list, then the project is moved out into the following years because it cannot be done without this approval. The down side is not getting the low cost for borrowing, low material costs, etc.

Mr. Attwood said we do not know what the penalties will be for being outside the permit.

The DEP will look at all the projects to be done and Ms. Ryan said there is State bonding. All the options will have to be considered and looked at. There is no guarantee of the CWF funds because it depends on where Cheshire will be on the list.

If the WPCA cannot fund all the debt, Mr. Schrumm said some of it will have to be on the town's side as general obligation debt, even though it is clean water funding. Mr. Schrumm has no problem with this because this is the way it has been since sewers began in Cheshire in the late 1960's.

Mr. Ecke asked if any towns fully fund their WPCA and what the sewer fee would have to be to do this.
Mr. Attwood replied that WPCA has talked about new types of fees, but the business development team had an issue with this considering it competition with other towns.

The committee was informed by Ms. Ryan that Stratford has an enterprise fund and runs it like a business. They were looking at an $80 million upgrade, but she is not sure CWF could pay for this project.

With regard to the capacity fee, Mr. Attwood said if it had been instituted on day one the Town would have a huge fund sitting there, but this was not the case.

In the 1990's the sewer use fee increases were marginal, if at all, and Mr. Milone said that going back, if the fees had been increased more, there would be money set aside for future projects.

Mr. Ecke said the question becomes whether the user fees come close to paying the operating costs and not capital projects.

In response, Ms. Ryan said that the Town has always used a portion of the fund balance in order to balance the budget.

WPCA Information, page 1 – 2610, $2.5 million will be generated from the sewer use fee; the debt service for 2010 is $435,000; take the $435,000 from the total revenue of $2.9 million, we are at $2.5 million. For this year it will be close. For next year, 2011, it will also be close, but as you go out in the years, the gap widens.

Mr. Milone informed the committee that the CCJ flows have reduced dramatically, and there is $100,000 less in revenue from the Department of Corrections. With closing the Webster facility, the revenue will decrease further. For 2011, 2012 and 2013, the revenue numbers will have to be modified. The good news is that the capacity is growing, but user charges have dropped.

In the CEP years 4 and 5, Mr. Schumm said that two more pump stations are planned, which will increase the debt. He asked what would happen if the West Johnson Avenue and Cook Hill Road stations were pushed out in the CEP.

Mr. Attwood said that the West Johnson pump station should be held off pending development in the north end, because of the recommendation and strong push to the contractor to build another pump station. But, many were against this because the town would be stuck with it later on. At this time Mr. Attwood does not know the status of the north end development project.

Mr. Schumm commented on fixing the oldest pump stations first, and the fact that Melville Pump Station is going out to bid.
Mr. Milone stated that the bids are public documents, but what the bids are cannot be disclosed. The lowest bid is $412,000, not approaching the $1,150,000, but whether it meets all the requirements is not known yet.

Mr. Attwood said that before getting into what the bids were, they must be carefully reviewed. If it gets out that the project could be done for $400,000, and something is accepted at $900,000 or more, some things could be missing, and the project could go up higher to $1.8 million.

For the West Johnson Avenue pump station, Mr. Dievert noted that it is serving the industrial area. Cook Hill Road pump station serves Elm Park, and they are high flow stations. West Johnson is a big energy user, the pumps get down, kick off, and there would be cost savings with a new station. It is unknown what will happen with pushing these pump stations out a year, because something could happen or everything could be fine.

Mr. Schrumm stated that WPCA has discussed increasing the sewer use fee by $30 per year for 3 years, and this would increase revenue.

Mr. Attwood said this is not a good idea as it affects bringing new business into the town.

We could keep the fee low and increase the general tax bill, and Mr. Schrumm said people would see a higher use charge or higher tax bill.

Mr. Milone informed the committee that the Regional Water Authority (RWA) is working on a method for Cheshire to look at consumption based charging at a low cost. David Borowy, Cheshire's RWA representative, was at a Council meeting and talked about this issue. He is looking for a proposal from RWA to come up with something more reasonable that what it originally proposed.

Mr. Attwood said the total cost from RWA was about $200,000, and whatever is done is separate from the plant upgrade situation and operation.

The concept of freezing the existing sewer use fee for senior citizens was raised by Mr. Schrumm, using the current guidelines in place. The fee for everyone else could be raised.

Mr. Attwood said that the WPCA does not want to review each case of the senior citizens for fee exemption.

Mr. Slocum asked about the debt of the WPCA and if their debt service is being paid through bonding or general bonding.
In reply, Mr. Milone said the WPCA started paying for projects about 3 years ago. Everything new from 3 years ago is assumed by the WPCA, and anything which predates this time frame is out of the General Fund.

Mr. Slocum asked about consideration of the WPCA fees paying for their debt service. It seems funny to grow their debt service budget because 3 years ago the debt service was applied to their budget.

In that regard, Mr. Milone said any variation of distribution or allocation which the Council deems appropriate can be done.

Mr. Slocum said the discussion should be about the sewer plant costing a fortune for the taxpayers. The rate payers do not have much to do with it, all the taxpayers do. He commented on it being fair to have some of the user fees pay for the debt service because the users are getting the bigger benefit from the upgrade of the infrastructure. It is not fair to reduce the user fee and put the burden on the general tax paying public.

It was stated by Mr. Attwood the sewer system benefits the entire town and enables businesses to locate in Cheshire.

In the analysis Mr. Milone said we would be pushing another $400,000 into debt onto the General Fund. On the senior issue, he stated that 472 people are eligible for property tax adjustments, and of these people, 330 would qualify under the WPCA. With freezing the senior user fee at the current level, there would be $3,300 loss in revenue to the WPCA.

Mr. Schrumm requested Ms. Ryan and Mr. Jaskot to assume the worst case scenario with a 20% funding and 2% borrowing rate and get the numbers to the Council.

In that regard, Ms. Ryan said the town must get the numbers from the State, and the project completion date triggers the funding. Once the project is completed the town starts the permanent financing, and it could be a 2 to 3 year accrual. If the interest is not built into the project budget, there is a balloon payment to be made. The State DEP amortizes the tables and this information should be available within a week.

Mr. Milone said that taking all the new debt service off the WPCA will significantly change the numbers in the analysis submitted.

Going forward, Mr. Attwood said that whatever the user fee should be, there should be agreement between the WPCA and the Town Council on the amount of the user fee.
Mr. Milone also said there should be better collaboration on the recommendation for the user fee.

Regarding the $35 million project cost for the plant upgrade, Mr. Schrumm questioned how real this number is for the project.

Mr. Attwood said if we could stay at the lower phosphorus limit estimated, that project would be about $1 million. The question is whether things need to be done in phases or at one time, and this is unknown.

Mr. Dievert commented on it being too early to tell what the plant upgrade will cost. In looking at what we want and what we need, we must look at the context, and if we want the best quality equipment or something of lesser quality. The question then is whether we will pay later on for lower quality. The big thing which will happen at the plant is that the operating and maintenance costs will either hold or decrease. Putting the shovel in the ground is about 18 months away, and 3 or 4 years away by the time the project is designed, bid, constructed and completed.

Everything triggers from the completion date and Ms. Ryan said that two years after the design phase is completed, the permanent financing is done shortly thereafter. If interest is capitalized this is a good thing, and if not, the town pays one year's principle up front. There are many unknown factors, and the Town cannot float a $35 million cost because it does not have this cash.

In the Legislative Package Mr. Milone said the Council endorsed the phosphorus levels.

Mr. Slocum asked about the science on the phosphorus levels.

It was explained by Mr. Attwood that when water slows down, algae builds up and sucks oxygen, causing fish and other plant life to die. The question is how much of this phosphorus is coming from the treatment plant or coming from farming or anywhere else. The phosphorus is part of the project. The argument facing individual towns is whether the State mandated levels are correct.

Mr. Dievert explained that the debating factor is going from .7 to .2 and this is talking about a few hundred thousand dollars to millions. He said that 7 towns have met and are mobilizing support.

With the phosphorus levels, Mr. Attwood said there are costs involved.

Mr. Milone will invite the legislative delegation to meet with Town staff on the phosphorus levels issue.
In the worst case, Mr. Schrumm said it looks painful and doable, if the Council agrees to funding some of the offset with CRRA money.

This is the call of the Council and Mr. Milone said there are other problems coming down the road, including the medical benefits trust account being depleted. The WPCA project is a candidate for CRRA money, along with other pressure points in the budget.

With the town getting a better interest rate with the CWF funding, Mr. Attwood said it may be better to use the CRRA money for the pool project which will have a higher interest rate.

PUBLIC COMMENTS
Ray Squier stated that no one knows about the WPCA project, and this should be publicized with the people being informed about it and the associated costs. The Council must get the message out to the public.

In that regard, Mr. Attwood said he has discussed the project with Josh Morgan from the Cheshire Herald, and has informed him about this project. Mr. Attwood agrees that the public should be informed and educated on the treatment plant project.

Mr. Milone advised there has been talk about having the treatment plant project as the topic for cable access television.

Mr. Squier stated that the problems with the State should also be explained to the people in town so they know what the town is facing.

Mike O’Donnell said he has heard the State is at capacity for bonding and asked what happens if the town does not get the State funding. He asked whether the town takes on this debt itself.

The phases to the project were explained by Mr. Attwood who said a permit is issued to use the plant, and a new phosphorus number is issued. In theory the town could be facing daily fines for being outside the permit at a certain point. A new facilities plan has been put together for approval from the State for two years, and this affects how the expansion is controlled in town. And, the plant already has some things down and it is not known when the plant might go.

Mr. Dievert explained that the EPA with the DEP looks at the treatment plan and equipment with a 20 year useful life. The original plant was done in 1992, so anything after 2012 will have the State saying it is beyond its useful life. The pump stations were built in 1976, and if a station continues to run the State will not say anything. If the station fails and creates an environmental impact, flooded basements, etc. then the State has got the town.
Mr. Schrumm stated it is unlikely the 20% - 2% borrowing will go away, and 30% might be a stretch.

This is federal funding and Mr. Diwet said in looking at the $35 million estimated project cost, the State has about $300 million for these projects. There are 79 treatment plants in Connecticut, and $35 million is a large portion of $200 million, and this is where the priority list comes in.

In summary, Mr. Schrumm said the Finance Department staff will do another debt analysis and get it to the Council for further review.

Mr. Schrumm thanked Mr. Milone, Ms. Ryan and Mr. Jaskot for all their work on the information submitted to the committee.

4. F.Y. 09-10 BUDGET STATUS
Page 4 – slides 8 and 9 – Mr. Milone talked about the current year's budget and analysis of the mill rate.

Slide #8 - Mr. Milone stated that the Manufacturer's Machinery & Equipment PILOT was cut by about $100,000. He is coming to the Council with a general mitigation plan from which to start the work to insure avoidance of a deficit.

Slide #9 – Projected revenue for this year is $94.1 million; the Manufacturer's Machinery & Equipment reduction was backed out with the loss of $128,730; tax collection rate continuing at the range of 99.4% to 99.6% is revenue of between $73,365 and $220,095; total new projected revenue - $94,226,995.

Expenditures – in December they were at $94,100,774. Some or all of Contingency could be used - $125,000. Other CNR funds were looked at to defer some or all of the projects for which money was appropriated.

Two projects looked at were Property Revaluation reduced by $50,000 and Firefighter Equipment reduced by $115,000. Mr. Milone explained that the Fire Department still has a small balance left from a few years ago and Chief Casner has indicated he could delay purchasing the equipment until the Fall by either cutting back the purchase or delaying it. General Government assumptions show 1% to 1.5% of the budget saved - $168,850 to $253,275 for items such as copiers, rentals, postage, phone etc. The employee benefits area was not touched and Mr. Milone said there is a balance of about $166,000 in the Medical Trust Fund from the start of $520,000. The BOE has about $680,000 in its Medical Trust Fund, and they started with $1.2 million. There were no reductions taken from the Department of Education. Superintendent Fiorio informed Mr. Milone that if there is a need for the BOE to cut back, they would make some accommodations to contribute to the effort to reduce the expenses. With the mitigation plan, the projected variance is $148,341 to $869,496.
Mr. Milone stated this is an outline to get through the next 4 to 5 months. If the Council wants the BOE to set aside money to assist, this can be discussed with the BOE. The Council was informed that the BOE excess cost grant was reduced by $150,000. He said it would be helpful if the BOE could find a way to assist in the effort.

The list of lost funding was cited by Mr. Milone, and it includes the following:
$80,000 on the expenditure side for the additional cost of the solid waste contract for the Public Works Department.
$300,000 in investment income.
$150,000 excess cost sharing grant for education.
$12,000 in the supplemental motor vehicle tax.

Mr. Schrumm stated that the Council should request Dr. Florio and the BOE to come up with 1.5% modification which would be the same as the Town side.

It was noted by Mr. Ecke that the BOE took a big hit last year but could be asked to assist with saving some money.

Mr. Milone said he does not want things to get to the point where we are unable to control our destiny. It would be helpful if the BOE could make up the lost $150,000 in revenue.

Slide #10 – Overtime Analysis FY 09-10 (July through December) – Mr. Milone commented on the analysis representing all departments where overtime is budgeted. The analysis includes what is budgeted, expended to date, expended in November and December.

Police Department – 35% of the overtime expended is shift replacement and minimum manpower, particularly sick and vacation. This overtime insures positions are filled to maintain minimum manning of the department. About 8% of the overtime is for training, much of which takes place during the work day and results in hiring replacements officers on overtime to take the place of officers in training. 13% will be reimbursed to the Town from many of the DUI grants which are run heavily through the holiday season. 21% is for investigations and patrols. Mr. Milone stated that there has been an increase in break-ins in the south end of Town, and a special unit was deployed for a period of time (2 to 3 officers) to patrol the south end for 2 to 3 weeks. With investigations the officer cannot walk off the job because the shift ends, and work must be completed. 23% was directly related to Thanksgiving and Christmas for double time paid for anyone working on those holidays.

Public Works – November overtime was $8,900, with 33% directly related to the Transfer Station which is open every other Saturday with a crew of 3 men, and this is built in and is not discretionary. One-third of the overtime is related to the mechanics having to work after hours to get trucks ready to be on the road the
next day. 20% of the department's overtime is to complete projects started in the Fall such as road and sidewalk projects. The balance is police call-ins such as pot holes, a tree being down, problems with a heating system. In December 90% of the overtime was attributed to the snow and ice storms and 5% was the Transfer Station.

At this point, Mr. Milone said everything that can be done is being done to control discretionary overtime. With the Police Department the vast majority of overtime is built in by contract. The department has two vacancies now, and this contributes to the overtime because the department is short-handed, but money from these vacancies will offset the overtime.

Finance Department – Ms. Ryan reviewed the department's overtime and explained that the department had two vacancies for 15 weeks due to early retirement. As of July 2009 the conversion to the new Munis system was completed with payroll and human resources on the new system. The fiscal year had to be closed out. The department is behind in the annual audit which was due December 31st, and the Town received an extension to February 2009. Training of two new staff members is ongoing; the W-2's and 1099's on the payroll system must be completed; and with closing out the 2009 audit, the 2010 work is not getting done. Even with the department at full staff, one staff member is very ill and not able to work full days. Ms. Ryan has been able to recruit free interns who work part-time, and she is trying to pull staff from other departments to assist with the Finance Department work flow. The savings from the two vacancies is assisting with overtime costs. The department must balance the budget but must still meet statutory guidelines. Some staff members have had their hours reduced by 10 hours a week, and staff is working nights and weekends. Ms. Ryan and Mr. Jaskot are working nights and weekends along with staff.

Mr. Jaskot commented on the system conversion which took one person's man hours full time each day for the whole year. Most of the year has been devoted to data conversion, accounts receivable system, general ledger, fixed assets system, payroll, human resources and issues associated with the conversion. He said it has been a challenging year for the Finance Department.

As a result of the conversion project, Mr. Milone informed the Council that the work load in the Finance Department increased by 115% with 75% staffing. Mr. Milone cut staff in the department, delayed the hiring to fill the two positions, and reduced some position hours to 30 a week. Each week he and Ms. Ryan review the work flow of the department. For this Budget Committee meeting, Mr. Milone explained it took 20 hours over 3 or 4 days to compile all the information, and this further backs up the daily work flow.

Ms. Ryan noted that she and Mr. Jaskot are in Town Hall with their staff on nights and weekends and they monitor the work flow.
Parks and Recreation Department — this overview reflects the costs of overtime for snow removal for all Town parking lots and sidewalks.

5. F.Y. 10-11 PRE-BUDGET PLANNING
Slide #11 — this is preliminary information on the FY 2010-11 budget, and gives a sense of the problems being encountered by starting the new fiscal year with $1.4 million less in revenue than this fiscal year. This includes $600,000 of the one-time tax relief reserve fund money which was used; $488,000 is the reduction in what we are using in fund balance; Investment Income and Manufacturer's Machinery & Equipment revenue losses; $100,000 taken out of the WWTP and the $150,000 loss in special education cost reduction.

Mill rate increases — Mr. Milone explained that this column shows the mill rate increases in quarterly amounts. One mill is $2.7 million. An increase of one mill is a 3.84% increase, and generates $2.7 million in additional tax revenue. Whatever is generated by this revenue is offset by the loss of $1.4 million, and the net effect is an increase in revenue of $1,363,000. The Town Government side makes up 28% of the total and BOE makes up 72%. Splitting the $1,363,000 proportionately, $392,000 would go to the Town and $971,599 would go to the BOE. The analysis shows that just to get to a point where we are at a break-even, the mill rate would have to go up by 0.50 mills and then we are $17,748 less than this fiscal year.

Slide #12 — Fund Balance Analysis. This shows a fund balance of $8.2 million, which is 8.8% of the operating budget. Mr. Milone said there is money to be used from fund balance as well as the CRRA money and the debt service reserve.

Mr. Milone concluded the presentation to the Council, and said if there are any questions, Councillors can call or e-mail him and the staff. The revised debt service information will be compiled and submitted to Council members.

6. ADJOURNMENT

MOTION by Mr. Ecke; seconded by Mr. Schrumm.

MOVED to adjourn the meeting at 9:30 p.m.

VOTE The motion passed unanimously by those present.

Attest:

[Signature]
Marilyn W. Milton, Clerk