

**TOWN OF MADISON
BOARD OF FINANCE
SPECIAL MEETING, April 15, 2016**

SUBJECT TO APPROVAL

MEETING DATE: FRIDAY, APRIL 15, 2016
7:30 A.M.

MEETING PLACE: JAMES MADISON ROOM (ROOM A) - TOWN CAMPUS

**BOARD OF FINANCE SPECIAL MEETING
MINUTES**

Present: Joseph MacDougald, Bennet Pudlin, Mark Casparino
Via telephone conference: Sharon Kokoruda, Jennifer Tung and Jason Ulstad;
Board of Education Chair Jean Fitzgerald.

Also Present: Representative Noreen Kokoruda; Senator Ted Kennedy, Jr.; First Selectman Tom Banisch; Selectman Al Goldberg; Selectwoman Joan Walker; Finance Director, Stacy Nobitz; Director of Town Service, Alma Carroll; Recreation Director, Scot Erskine; Finance Accountant, Kristen Bartosic;

Special Session

Chairman MacDougald called the Special Meeting to order at 7:30 a.m.

1. Discuss Madison Town Budget in light of State Budget.

DISCUSSION: Chairman MacDougald thanked everyone for attending the meeting, either in person or via telephone. He stated that it had been noted that the Governor's office stated that the Town's whose ECS funding was cut or zeroed out, had average mill rates of 19, the state average is 29 and Madison's mill rate is roughly 26. This is a force affecting Madison more seriously than some other Towns in the zeroed out group because our mill rate is much closer to the state average. He stated that he hoped that our representatives would press this point with the legislature.

Chairman MacDougald went on to say that in the big picture, Madison started the year with a long-term plan to fund reserves, there was a huge disruption with the health insurance costs and this was handled by planning to apply \$750,000 to offset this expense, therefore moving less funds into the reserve. This new hit will now affect the

overall budget process. He questioned if the Board of Finance wanted to reopen the budgets themselves. There is a Public Hearing on Tuesday, April 19th and the Board of Finance needs to plan how to conduct this meeting. Also, the Board of Finance needs to discuss if the May 10th Referendum is feasible.

Chairman MacDougald stated that Finance Director, Stacy Nobitz had worked day and night to create a plan which may help offset some of the funds being cut by the state. The elements of this plan include freezing funds and asking the Board of Selectmen and Board of Education to reduce their current requests.

Chairman MacDougald then asked for the state representatives to provide information on timing for the state's decision as the Town was under time constraints.

Representative Kokoruda stated that this is a process and she would be very surprised if these numbers held. There are Towns voting on their budgets already, as well. Two weeks ago, the Appropriations Committee passed a budget that was "out of whack" and cut Madison by over \$800,000. What we are seeing now is the Governor's response to this proposed budget. She stated that there was a study conducted using the ECS formula and 45 towns, including Madison, were determined to be "overfunded" which was a surprise to everyone in Hartford. She also noted that in the past ECS funding was not touched, but that the Appropriations Committee had opened the door for this type of budget cut. Representative Kokoruda stated that she felt this was a work in progress but that the funds needed to be found somewhere in case the cuts were as drastic as proposed by the Governor.

Senator Ted Kennedy, Jr. handed out a document showing the Appropriations Committee's recommendation and the Governor's recommendation for cuts to ECS funding. He stated that the state is facing serious economic challenges and to underscore what Representative Kokoruda said, the state is still in the beginning phase of the process. The numbers will not necessarily stick going forward. There are many other Towns mid process in their municipal budget cycle as well.

Chairman MacDougald stated that the Town was still faced with a problem now to bring the budget to referendum. It is in the best interest of the Town to be as accurate as possible, whether or not the funding is changed at the ECS level.

Ms. Carroll stated that the Referendum must be held no later than May 25, 2016. The BOF discussed moving the Referendum until Tuesday, May 24th.

Representative Kokoruda and Senator Kennedy reviewed prior budget cycles at the state level and it was noted that this is a more difficult year for the budget and the state may go into Special Session.

Chairman MacDougald stated that there was an article recently which stated that the Towns selected had a lower average mill rate. However, geographically and in terms of mill rate, Madison is an outlier to the other Towns affected. The current mill rate is

roughly 26, the other towns selected are 19 on average. Madison is being grouped into Towns that it is not “like”. In fact the spending and income profile of Madison is much closer to the average.

Representative Kokoruda stated that Clinton, Westbrook and Saybrook were all impacted as well. Madison has one of the lowest poverty levels in the state, but these neighboring towns have much higher poverty rates and they took hits as well. It is not just Fairfield County, Madison and Lyme.

Chairman MacDougald stated that it is very different for Madison to lose all funding, versus just taking a hit. When the original cut was \$800,000, that would have changed the move forward very much, but it wasn't a 100% cut to funding.

Chairman MacDougald motioned for and Bennett Pudlin seconded recommending to the Board of Selectman that the Referendum date be moved from May 10, 2016 to May 24, 2016. The motion passed unanimously.

First Selectman Banisch confirmed that if the budget doesn't pass at referendum on the 25th, then the budget can be brought back to the Town for a second vote.

The Board of Finance also agreed that they would hold their Public Hearing on April 19th with another Public Hearing if needed prior to the referendum date. They also confirmed that if the budget passes on the 24th the mill rate should be voted on May 25th. This will be the best plan in order to process billing in a timely manner.

Chairman MacDougald stated that the Director of Finance had created some plans to help the process move forward, including, freezing nondiscretionary funds by the Board of Selectmen. The goal will be for the BOS to reduce its budget to channel funds into the BOE budget.

Ms. Nobitz provided a sample plan that will bring the town closer to lessening the impact from this ECS cut. The first option is to remove the \$250k in additional requests (keeping only the dispatch position which will be starting in January, not July). The First Selectman will send a request to department heads to reduce their budget by 5%. This 5% will be held in a reserve, and if there is a savings more than usual in 15-16 funds, or, if the ECS funding is not reduced, then funds can be given back to Department heads on July 1st. This is a short term fix, but it can the funds can be held aside in hopes to return it to department heads. The Town was looking at returning \$1.4 million to the fund balance, but \$750k of that can be held aside as well. Also, the Town has used 98.5% as the collection rate, but the rate can be estimated at 99% and that will provide another \$350k in the budget. As a side note she stated that the Town has not fallen below 99% collection rate in recent years with the lowest collection rate being 99.1% in 2002. Also, as part of the reclassification plan, the Town implemented a salary grade step for January 1, 2017, and it is recommended to move that step to April 1, 2017 which will save an additional \$35,000.

Chairman MacDougald stated that part of the reason to do it this way is to have fidelity with other boards. The BOE now needs to see where they can reduce their budget. The Town plans on channeling into their budget in hopes that we are not in this position next year.

Ms. Nobitz stated that with options 1 & 2 we are reducing our base by about \$650k. If the Town wanted to bring it up in the following year, there would have an issue, unless this is the new base. The taxes this year are artificially lower this year (and therefore higher next year) because of this plan. The same is true for using the \$750k to keep the mil rate stable. This 3.22% budget increase is where we are if we put this plan into action, and it does not include any cuts to the BOE budget.

Chairman MacDougald stated that the budget is increased by 3.22% because of two major disruptions; the insurance funding and this ECS funding cuts.

Jean Fitzgerald stated that she has some concern about altering the BOE budget when it isn't known what is going to happen at the state level. Changing the budget then has a huge impact on the Board of Education. They cannot have reserves, and if they need to reduce their budget now, it would be a significant change. The only way to cut funds is through cutting staff and cutting sports program. Her concern was cutting what needed to be cut in order to make the budget work, but then funding coming through at the ECS level. The second concern is to let go Full-Time Employees, and by law they need to issue pink slips no later than May 1st. Those are major hits to the BOE in a short period of time. She cautioned that this may cause more of an issue. The BOE is in a really tough spot and they recover this hit in next year's budget, either.

Chairman MacDougald stated that he would recommend reconvening the BOE budget committee and at least coming up with what they can feasibly do. If the BOE doesn't start to make reductions, then next year, their increases are going to look huge. No one wanted this to happen, and it is a huge disruption.

Ms. Fitzgerald stated that the BOE could not get to the level of cutting Full time staff by May 1st.

Chairman MacDougald asked the BOE to tell us the Town what they could do, and they will all make the best of it.

Mr. Pudlin stated that is asking you to come up with a \$1.5 million solution, for two reasons – 1. No one thinks that's where it will end up. And 2. The Town is going to make cuts, and the BOE is only being asked to do some analysis so that the Town knows what they have to work with.

Ms. Fitzgerald stated that she wanted to make the point that it is not as easy for the BOE to make certain big cuts right now. Depending on what is cut, funding next year may not help. The BOE is in a different place than the Town. She noted that whatever the final

funding cut is, every department will need to do its part and look at budgets again. She cautioned again that she could not say with certainty what the BOE could come up with.

Senator Kennedy stated that the largest income for the state is through personal income tax and payments will be funneling in over the next couple of days. He stated that he believed by next Friday, the Comptroller would have a much better sense of how the revenue looks. There are some people who are concerned that the numbers could get worse, but we are all waiting to see what is going to happen with the income tax receipts for the state. By next Friday, if the state sees the deficit gets bigger, then it might indicate where the aid to towns, including ECS funding, is brought forward.

Representative Kokoruda stated that everyone is concerned that this number will be worse, but this is the tip of the iceberg. Going forward, next year and each subsequent year will be worse. At the state level, representatives see nothing turning around. Unless things change drastically, then the 2018 state budget is looking at being \$2million out of balance. Everyone needs to start thinking about the bigger picture and planning for these types of cuts.

Chairman MacDougald asked the Board of Finance members for their last comments regarding this discussion.

Sharon Kokoruda stated that this is only going to get worse until the state turns things around. Everything resides in Hartford and if they don't make changes it will be worse for towns.

Jason Ulstad thanked everyone for meeting, and for the feedback.

Jennifer Tung stated that the Town is headed in the direction to keep stable this year, but if the state is going to hit education this hard, then the state needs to look at the mandates on the school system. The huge cuts are not sustainable and the town needs to reach certain mandates.

Mark Casparino stated that there is a small window to move forward and he asked when the BOE could bring information back to the two boards. Jean Fitzgerald stated that the BOE has a meeting next Tuesday, and will hopefully have information to the BOF by end of next week.

Bennett Pudlin stated that this is all that can be done at this moment and the Town is in a position to address the cut. As difficult as this additional cut is, it is all the more difficult because we already compensated for an equal hit from the insurance costs. We need to continue to be as thoughtful as we have been not only on how to fix the current crisis but how to position ourselves for next year.

Chairman MacDougald stated that the state just possibly took \$1.5 million in tax funding, but the Town is working together to preserve the structure of the budget and to keep the core level of funding that we all agreed to over the last 9 months. This is a nightmare

scenario and the Town needs to still preserve the funding of its long term capital funding and at the end, we are at an increase of 3.22% and that is a reality of most towns. The Town also needs to plan for also what may happen next year.

Representative Kokoruda stated that there may be an opportunity here to seek relief for the unfunded mandates. The majority of the children who get funding for special education are funded through the ECS funds. If the BOE could come up with a plan for these unfunded mandates, this may make up some of the cuts to the ECS funding.

Chairman MacDougald then recapped the meeting and stated that the BOF had requested that the BOE and Town freeze their operational units and the unofficial commitment of the BOF is to use these funds to assist the BOE and the rest of these budget actions need to be reviewed in the budget process. He also asked Jean Fitzgerald and First Selectman Banisch to discuss these initiatives with the residents at next week's Public Hearing.

2. Brief Public Questions.

None.

3. Adjournment.

There being no objections, Mr. MacDougald adjourned the meeting at 8:19 a.m.

Respectfully submitted,

Lauren Rhines

Executive Assistant