

MINUTES

WATERTOWN TOWN COUNCIL FINANCE SUBCOMMITTEE

JOHN TRUMBULL PRIMARY SCHOOL MEDIA CENTER

BUCKINGHAM STREET, OAKVILLE, CT 06779

MONDAY, SEPTEMBER 16, 2009, 7:00 P.M.

PRESENT: Gary Bernier, Chairman
Richard DiFederico
Richard Fusco
Carl Mancini

ABSENT: None

OTHERS PRESENT: Elaine Adams, Town Council
Chuck Frigon, Town Manager
Frank Nardelli, Assistant Town Manager/Finance Director
Raymond Primini, Town Council
Paul Rinaldi, Town Council
Thomas Winn

1. Call Meeting To Order - 7:00 P.M.

Mr. Bernier, Chairman, called the meeting to order at 7:08 p.m.

2. Roll Call

Ms. LaForme, Clerk, executed the Roll Call.

3. Minutes

A. June 23, 2009

MOTION: (Mr. Fusco, sec. Mr. DiFederico) to Approve the Meeting Minutes of June 23, 2009, as presented.

Discussion: None

MOTION PASSED UNANIMOUSLY

4. Discussion and Recommendation to the Town Council Regarding the Setting of the 2009/2010 Mill Rate

Mr. Bernier: 22.59 is the mill rate currently. Coming out of our last Regular Town Council meeting, we had a lot of discussion. We tabled it at that meeting. We will be voting on it as a full Council upon completion of this subcommittee meeting. I would like to start and say that what we need to do tonight is we need to set a mill rate. There are a few ways that we can go about this. We can take the \$750,000 and use it to offset taxes, we can do that 1 year, 2 years, multiple years. We can use it for capital projects. Again what we need to do tonight is we need to decide what the mill rate is. So what we need to do is (1) are we going to use it to offset taxes or for capital projects and (inaudible).

Mr. Mancini: At the last meeting I suggested that we should determine first of all if any capital projects have to be funded, first of all. Let's say (inaudible) and then the second part of my suggestion was to take whatever money was left over (inaudible) capital improvement projects, if any, and divide them over 2 years and reduce the mill rate for 2 years. My rationale behind that was because we would be able to absorb the money that we're putting in to reducing the mill rate the first and second year because our bond rating payment would be about \$550,000 less in the beginning of the third year, so we wouldn't have to see a mill increase. If you did it any less than 2 years, (inaudible) money that was going to reduce taxes, if any, if we did it all in one year, you'd see a tax increase next year and I don't want to see a tax increase because of what we're doing tonight. I think we have to decide all of that before we set a mill rate.

Mr. Bernier: Right, indeed, our intent tonight and we have about 20 minutes, and again I apologize.

Mr. DiFederico: The last time we met, (inaudible) 22.59, 22.79, what was that for? Why did you come to that conclusion?

Mr. Bernier: My intent last week at the start of discussion I felt and continue to feel that we need to take this money to reduce taxes. I understand that other members felt that this is bond money that could be used for a multitude of different projects. I felt very strongly that because we refinanced our bonds, that the money should be going, and I kept saying to reduce our bond debt. We can't actually reduce the bond debt with this money, but what we can do is use it to offset the payments on that one line item. So what we would do is use the money to pay down, if you will. So where I was last week was to start discussion, we're taking all \$750,000 and using it to reduce taxes this coming year (inaudible).

Mr. DiFederico: Which nobody knew. I understand that, but I just want to clear when I went through my notes, that you were campaigning as a Republican against that cause this happened once before when I first got on. So the thing is that you (inaudible) put it all on one year, that it was (inaudible) the following year. (Inaudible.)

Mr. Bernier: That is what (inaudible).

Mr. DiFederico: But I just wanted to make that statement because the way that motion was made, that \$750,000 that's what kind of threw me and made me ask this questions. I would make the determination for something that (inaudible) if I've got this right, Frank you're here, if you went and we did 1/3 this year and 1/3 next year and took that other 1/3 and put it into a capital improvement fund for a new town hall or something like that, that I could understand too. (Inaudible) how much money are we going to save?

Mr. Fusco: This is one of the nicest problems we've had in a long time. No matter how we do it, somehow or another taxpayers will save money. I'd like to know (inaudible) actual numbers. If you were to do this 1/3, 1/3, and 1/3, what would that be in terms of our tax (inaudible)?

Mr. Nardelli: You're talking about the \$750,000 because just to back up, overall we're saving \$834,000; \$756,000 is for the current year we're in. The other amounts like \$3,000, \$10,000 over other years, but the total figure is \$834,000 and \$756,000 we're going to utilize this year. So your question is take the \$756,000 and divide it by 3?

Mr. Fusco: It's not my question, it was the question that was brought up here, I just wanted the numbers and how it would reflect on taxes next year.

Mr. Bernier: About (inaudible).

Mr. Nardelli: (Inaudible.) So the \$756,000 is \$252,000 a year. That's .14 of a mill. (Inaudible.)

Mr. Bernier: \$14 on \$1.00.

Mr. Fusco: Okay now this (inaudible) is if we do 1/3 this year and 1/3 next year and (inaudible) 2 years that we are going to get a tax increase because of the bonding that was done already, correct?

Mr. Mancini: We have to bond probably \$1,000,000 next year.

Mr. Bernier: \$800,000.

Mr. Frigon: (Inaudible.)

Mr. Nardelli: Yea, it would be about \$9,000,000 we'd have to bond in January for the High School, that's going to cost us another \$800,000 the following year. Just to (inaudible) what you're saying we have about \$7,000,000 budgeted right now to pay for principal and interest on debt. After the refinancing we're going to pay \$6,300,000. So we've got \$700,000 saved. You can if you want to take 1/3 of that you can reduce the mill rate by .14 and then we're going to have a surplus in the General Fund. Okay? \$756,000 minus the \$252,000, so you're half roughly \$500,000 surplus in the General Fund. At that point the Council will have to determine what they're going to do with that.

Mr. Fusco: We know what we're going to do with 1/3 of it the first year. There is going to be some left over money that's just going to be hanging around for awhile in the General Fund?

Mr. Nardelli: There will be in the General Fund, because again you've got \$7,000,000 budgeted but we're only spending \$6,3,000, 000 so we have a \$700,000 savings. So you can reduce the mill rate, as (inaudible) originally and it would wash itself out, if you took it all in one year. If you take 1/3 of it you will have \$500,000 saved and what do you want to do with that money. That would be something the Council would have to determine.

Mr. DiFederico: (Inaudible) next year.

Mr. Nardelli: Yea, because that money will be in this year's budget, so whatever you want to do with it.

Mr. Fusco: The question is, if we do spend that money one time, 1/3 for this year and then put aside the rest for next year, how can we legally do that? Any Council that will be here after that can use it for legal fees for all we know.

Mr. Nardelli: That's a good point. The Council would have to, if they want to save this money for future debt payments, for future bond interest principal, we'd set up what's called debt service. So you would take that savings and put it into a debt service fund, and once that debt service fund is established that's what you would pay future interest and principal bonds out of that debt service, so we really can't use that money for anything else other than debt service. Once the Council (inaudible) do that.

Mr. Bernier: And what we need to do as a subcommittee, is certainly set up whatever funds we feel are appropriate with this money. I don't (inaudible) to dictate next year where it goes. It's either a bond payment fund, a capital project fund, so much in each of those two funds, but I think we need to definitely set down where this money is going to go.

Mr. Mancini: I was going to ask Mr. Fusco if he's going to put 1/3 for capital improvements, what suggestions does he have for the \$252,000, what's to be gained out of doing that?

Mr. Fusco: It wasn't my question, I'm just looking to see where the money is. (Inaudible.)

Mr. Mancini: I understand that, but I don't understand if you put the \$252,000 into a capital improvement fund as suggested, what is that money intended for? Is it intended for a fire truck A building group? Is it intended for roads, town hall roof?

Mr. DiFederico: You are going to need it for general repairs if you're not doing anything on
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Mr. Bernier: I'm certainly entertaining the discussion but I've got to be honest with you guys, I (inaudible) because that is not for us to determine tonight, nor is it for the Council to determine tonight. What we need to determine tonight is what the mill rate is going to be. If we want to set up a capital projects fund, then that's going to be a whole other meeting to decide how we're going to do that.

Mr. DiFederico: (Inaudible.)

Mr. Bernier: To set the mill rate is what we're doing.

Mr. DiFederico: (Inaudible.)

Mr. Bernier: No, I beg to differ.

Mr. Mancini: I don't have a problem putting money into a capital improvement fund if you knew what you would be doing with the money, and in the long run it would be saving us more money than we're actually putting in, I don't have a problem with that. But I do have a problem putting money into a fund that I don't know what your intentions are for.

Mr. Bernier: I can only speak for me, that we had all discussed this year and I talked to a lot of people, (inaudible) and taxes and (inaudible) passed the budget even at 0/0/1.4 (inaudible) very difficult year. (Inaudible) I'm very set on utilizing this money to offset taxes. In all candor when I looked at this, as a subcommittee, again capital projects, if you want to do that, if that's our recommendation, then that's fine, we'll put that dollar amount forward and go forward with that recommendation, but that's up to the full Council. My concern is that we need to be very cautious because this is taxpayer's money and (inaudible).

Mr. Mancini: Are you looking for a motion?

Mr. Bernier: If we're going to discuss it, (inaudible).

Mr. Fusco: (Inaudible.) On this part here. Carl says let's say we use this, because anything we put aside for money is going to be a tax savings to the taxpayer (inaudible).

Mr. Bernier: No.

Mr. Fusco: If we have to buy another highway truck or a fire truck, that money will be coming from this account anyway.

Mr. Bernier: That's correct, but I don't think that's what anybody is talking about here. I'm hearing about the town hall roof, Hemingway Park School, and that's all well and good, those are all good and important things to do, but we're spending taxpayer's money that (inaudible). You are essentially spending taxpayer's money. We're not saving them any money. That is to be determined as we go forward. If the taxpayers want, for example, if the taxpayers want to pay blah, blah, blah to put up a roof on the town hall, then they would tell us that's what they want to do. If they want to take money for Heminway Park School, that's (inaudible) budget now, this is money that we're going to spend because it's available that the taxpayer's aren't being asked to do right now. We're taking it upon ourselves. In all candor I personally can't see any other way but to pay down debt. That's me. In all candor, somebody just said and I'm looking right at Paul, I'm not running again, I don't need to please anybody. Paul said politics, politics, this is not political. It's just the way I feel. (Inaudible) understand (inaudible). That's just the way I feel and regardless of what the situation is.

Mr. Fusco: Now we gave his conditions and this is the first time actually discussing this, what is your actual position now?

Mr. Mancini: Well my position would be to take it back to the Town Council the way I proposed last week, but seeing that we don't have any definitive figures or areas that you want to put money into a capital improvement town, I would say let's just go back to the Town Council and reducing the mill rate by .21, which is half of the money over a 2 year period with no capital improvement money and then let the Town Council talk about it and we'll discuss it with the whole body instead of just 4 of us, there will be 9 of us there and maybe I can be convinced to change my mind there. I want the money to go to reducing taxes.

MOTION: (Mr. Mancini, sec. Mr. DiFederico) I move to recommend setting the mill rate at 22.38 with one half of the \$756,000 to be used to reduce taxes this year, and one half of the \$756,000 to be used to reduce taxes next year.

Discussion: **Mr. Mancini:** At the Council meeting I'll give my reasons why I did that.

Mr. Fusco: Half the money will go into the General Fund earmarked for taxes for next year, am I correct?

Mr. DiFederico: Debt service.

Mr. Nardelli: Right now the way it stands, the mill rate would be the half, so at the end of the year if everything stays the way it is there will be a \$375,000 surplus in the General Fund. The Council then has to determine, I think what Carl was saying, is take the \$375,000 and if you want to put it in a debt service fund for next year to help reduce the taxes next year and pay down the debt.

Mr. Mancini: Right.

Mr. Bernier: Good point. And really to just be cautious if that's the way we go to the Council and say that.

MOTION PASSED UNANIMOUSLY

6 Adjournment

MOTION: (Mr. Fusco, sec. Mr. Mancini) to Adjourn the Regular Meeting at 7:28 p.m.

Discussion: None

MOTION PASSED UNANIMOUSLY

Regular Meeting Adjourned at 7:28 p.m.

Respectfully Submitted,

Gary Bernier, Chairman
Finance Subcommittee

Lynn M. LaForme, Clerk