Chairman Val Storms called the meeting to order at 6:31 p.m. She welcomed First Selectman Jim Lash and called upon him for his budget presentation.

**FIRST SELECTMAN'S BUDGET PRESENTATION**

Mr. Lash began by noting the distinction between the Capital and Operating Budgets, a distinction that did not exist five years ago when he became Chairman of the Budget Committee. He said that we appropriate into the Capital Reserve Account to fund our capital projects and any money not used on a particular capital project must go back into the Capital Reserve Account, not the General Fund.

Mr. Lash further noted that the 2% to 4% mill rate increase guideline, while tied to the rate of inflation, is also tied to ongoing enrollment increases in the schools (a 1% mill rate increase, or approximately $2 million). Looking ahead there is every reason to believe that the school enrollment increases will level off. Mr. Lash said that this should free up $2 million for other things, in particular the funding of our Capital Plan. The Budget projects this $2 million going into the Capital Reserve Account each year over the next decade. If the school enrollment projections do not happen (and there is every reason to believe that they will happen), then it would be more difficult to achieve the budget goals.
Also built into the budget is an increase in the Grand List. In recent years the growth in the Grand List has covered the cost of the teachers' contract that was in excess of the budget guidelines. Mr. Lash said we must not assume this growth will go on indefinitely. He said that we must watch this from year to year.

Mr. Lash then highlighted some of the activities that have brought us to the '06 Budget, beginning with the Capital Budget.

PAVEMENT MANAGEMENT
The report on our pavement management plan indicates that we are not spending enough to implement our plan. Therefore, the '06 budget request significantly increased funding to implement the plan. An increase should also be expected in the '07 and '08 budgets.

This Budget also contains a request to redo the scientific assessment of road conditions that was done five years ago. This will give us the ability to determine how well we are implementing the plan and if our model is correct. In a year or two we will have an idea of how we are doing. We have in place a process, a benchmark, an implementation plan, an ability to forecast, and looking ahead we will be able to go back and measure the outcome.

SIDEWALKS
While we have a good process in place for paving, we don’t yet have a sidewalk plan. The Selectmen’s Pedestrian Safety Committee is looking at this.

TRAFFIC CALMING
We also do not yet have feedback with regard to traffic calming measures taken. We need to wait for some time to pass and then look at the data, keeping the feedback process in mind.

BRIDGES
It is recognized that this takes a very long time to do, involving considerable neighborhood commentary. We know the conditions of our bridges because the State tells us this. The bridges are in the Capital Plan.

SCHOOL PROJECTS
School projects are the biggest single item in the Capital Plan – a $95 million Capital Plan over the next ten years for schools. Implementation of the plan has begun with the Hamilton Avenue School, which has gone from a $13 million project to a $26 million project. However, there is no reason to expect that the cost of the schools’ capital projects will double. The BET has funded URS to review the schools’ Capital Plan. Specification work for the Glenville School has begun.

VEHICLES
The process in place in the past has worked fine. Vehicles have been handled the same way in this budget as they have been in the past.
MISCELLANEOUS
Some smaller items have been added into the Capital Plan, but these are routine in nature.

Money is in the Capital Budget to upgrade some of the DPW sheds, but the main thing missing in the sheds is a "bunk room," a place for workers to rest when on a break, such as in a snow storm.

Moving to the Operating Budget, Mr. Lash said that the "Big Story" in the '06 Budget is in the Capital Budget. The "Little Story" is in the Operating Budget.

Mr. Lash said that the themes are more gradual on the operating side. He noted that, in addition to some headcount reduction, he was beginning to reallocate headcount. He described zoning enforcement as one area needing an additional position as the staffing hasn't kept up with the growth in the workload. The illegal housing is getting worse. A procedure is in place that conforms to State law for handling persons displaced from illegal housing. Commissioner of Public Works, Marcos Madrid, will be responsible for handling illegal housing matters. Mr. Lash assumes that Mr. Madrid will pass this responsibility on to Messrs. Marr and Maloney and that they will use the new person to do the work, giving regular reports on the progress made.

Another staffing issue is the combined civilian dispatch (negotiated into the Police Contract in 2000). Moving to civilian dispatch will get more uniformed police officers on the streets and will lower the total cost of dispatch. This will take a couple of years to phase in. We now have 18 Full Time Police and Fire Equivalents tied up in dispatch (12 Police FTE's and 6 Fire FTE's). The plan is to replace these 18 with 16 FTE civilian dispatchers. The difference (savings) in salary and benefits is between $450,000 and $500,000 a year. The current plan is that the 6 firefighters will be assigned to firefighting apparatus. Eight of the 12 police officers will be eliminated through attrition and retirement. The other 4 will be reassigned to street duty. The contractual requirement that 8 premium pay allowances be paid to 8 police officers will be met. Some of the details are still being worked out.

The '06 budget calls for one other staffing increase consisting of a supervisor for the 6 parking enforcement officers, who are currently not supervised in the field. It is expected that closer field supervision will result in more productivity, which will offset the cost of the new position. The position is paid from the Parking Fund. The ticket revenue goes into the General Fund.
Mr. Lash said that he is continuing to look at operational efficiencies in all areas as well as reorganization, but that this is not reflected in the '06 budget.

Other than the move to civilian dispatch there are not a lot of changes in the Operating Budget. In the Capital Budget there is continuing improvement in the quality of the 10 year Capital Plan. The plan is almost complete except for the pedestrian safety side of it. One very good sign this year indicating that the Capital process is working is that almost everything in last year's '06 Capital Plan is now funded in the '06 Budget recommendation. Any changes are negligible.

The First Selectman's '06 budget calls for a 3.75% increase in the mill rate. Mr. Lash said that it was now the BET Budget Committee’s turn to find additional economies, with the ultimate goal of a 3.5% mill rate increase.

The revenue assumptions are not overly aggressive and are based on actual experience as is the assumption with regard to the Grand List.

Also in this budget is a recommendation that the pharmacy cost related to retired Town employees be increased by about $450,000. Mr. Lash said that he viewed this as an “equity issue,” citing the hardship created for Town employees who retired before July 1, 2000 when the Town decided to phase in the full cost of healthcare to retirees over a five-year period after discovering that the Town was under collecting revenues by more than $2 million. By rating retirees and active employees separately, the Town has put the heaviest users of pharmaceuticals into a separate grouping with the result that today the retirees pay about four times what the actives pay (almost $465 a month for pharmaceutical coverage). This budget takes those who retired before July 1, 2000 and puts them back together with the actives for rating purposes. Mr. Lash handed out a chart illustrating these points. Those who retired after July 1, 2000 knew that they would be rated separately, but those retiring before this date made decisions based on an insurance rate calculation that was changed. This budget proposes to put that group, which is a declining one, back to where it was (rated and insured at the same rate as the actives). The cost to the Town of nearly $450,000 is an OPEB charge that is dealt with in an actuarial way. Therefore, the impact on the budget is not exactly $450,000. We would be receiving less income into the OPEB Account.

**QUESTIONS FROM BUDGET COMMITTEE MEMBERS**

Ms. Storms thanked Mr. Lash for his presentation and said that he has delivered a Capital Plan that has been very well received by both the BET and the public and that he has consolidated all the Operational Budgets and given the Budget Committee that package. She said that one of the areas, however, over which the First Selectman does not have direct control is the Schools Budget. She asked Mr. Lash to comment on why he thinks the Schools Budget is too big and how the Schools themselves could help address this problem.
Mr. Lash responded that our entire budgetary effort for the past five years has been to create a more transparent budget process that is easier to understand and consistent from year to year. Any change should reflect a discussion of that change.

Mr. Lash said that for the past four or five years we have had an arrangement with the schools that has been agreeable to the BET, the Schools Administration and the Board of Education whereby as school enrollment increases the budget allocates the full cost per student ($11,000 plus) for each additional student. Thus, if enrollment remains flat, there is no additional allocation, and if enrollment declines, there is a budgetary decrease. This agreement was agreeable to everyone up until the moment it became inconvenient. Mr. Lash said that the reason it was agreeable was because it was "too much money." On the margin there is a lot of fixed cost in the $11,000 per student average cost. The variable cost is far less, probably less than half. The Board of Education used the additional money for other things, primarily to pay for the excess cost of the teachers’ contract above the guideline, but also for things such as foreign language instruction in the elementary schools and to maintain some of the highest administrative overhead rates in the State. "But this was o.k. because that was the deal," Mr. Lash said.

However, it was known that, when enrollment growth stopped, there had to be a plan for dealing with the shortfall. The problem struck this year when instead of going up 150 students, enrollment went down by 68 students. This left a 218 person difference (at $11,000 per person, coming to between $2.3 and $2.4 million) in what was budgeted this year and what, in theory, the schools should have needed. What should have happened when the Budget Committee set the guidelines is that $2.3 or $2.4 million should have been subtracted from the schools’ base budget. But these numbers were not known until the BOE was well into its budget cycle. While the BOE has submitted an '06 budget that is only a little bit above the guideline given them, it is, in fact, more than $2 million above where it should have been if the enrollment decline in the current budget year is taken into account.

Mr. Lash emphasized that what the Budget Committee must do over the next two weeks, to keep the whole budget process from unraveling, is to establish a new basis for budgeting for the schools. The old basis was completely transparent but wasn’t followed. The Budget Committee could enforce the agreement by taking $2 million out of the Schools budget. This is an option that Mr. Lash says he does not expect the Budget Committee to exercise.

Mr. Lash emphasized how critical it is that we understand the Schools Budget and develop a new way of thinking about it. He made clear his concern that, if we do not have any basis for explaining the '06 budget, then there will be no rules for the '07 budget, and it will become a “free for all.” Then everything we have worked the last five years to establish will start to unravel, he said.

Mr. Simon asked Mr. Lash to talk about what we are doing in risk management.
Mr. Lash recalled that when he became Chairman of the Budget Committee in 2000 he looked at the big numbers and saw that the healthcare budget was a big number that was too quickly getting bigger. He commended Mr. Simon for his work in this area and said that, largely thanks to Mr. Simon, our healthcare budget has been very well controlled over the last five or six years and is probably better controlled than healthcare budgets anywhere else in the State.

Mr. Lash said that five years ago the Workers’ Compensation number did not seem out of line, but that we have just learned from the Armtech Report that this number is double (or maybe more) what it should be in comparison to our peers. Mr. Lash said that this can be controlled. He said that industry does this all the time through health and safety training programs, quicker adjustment processes, and programs designed to get injured employees back to work. The Town does not have any of these things. What we have is not very orderly or organized according to Mr. Lash. Mr. Lash said he has undertaken a review of our health and safety programs and expects to have that report in a couple of months. He will appoint a person from Town senior management to be responsible for creating a health and safety program.

Mr. Lash also mentioned, as another risk area, accidents that show up in litigation. He mentioned some modifications the Town has made in roadway repair. He said that we do not have a litigation feedback process whereby the Law Department, after dealing with claims, turns back to the operating departments to alert them to a pattern which in turn leads to remedial action. Mr. Lash said that we have barely begun this activity.

In response to a question from Mr. Simon, Mr. Lash said that he does not at the moment see a need for additional personnel to accomplish the risk management tasks.

Mr. Simon asked Mr. Lash if we have an emergency preparedness plan. Mr. Lash responded that we have a plan developed by Paul Conolly that has been submitted to the State. He said that Mr. Conolly’s contract runs out at the end of June and that Dan Warzoha will replace him. At this point we will move from mostly planning to mostly practicing and implementing the plan. Mr. Lash said that the need to keep the plan up to date will at some point lead him to ask for money for a document management system and that we do need such systems in the Town.

In response to a question from Mr. Simon, Mr. Lash said that, while we could spend more money on emergency preparedness, at the moment he does not see a need to spend any more than we are already spending. He said that we have been spending money on this for the last 8 years.

Mr. Simon asked Mr. Lash how the Town decides what external entities to fund and in what amount.

Mr. Lash said that the criteria are to fund organizations that provide services that the Town would probably have to provide if the external organization did not exist, or else that not having the service would cause us to take notice. This budget contains funding
for a new external program in the form of a $25,000 grant for each of 3 years to the United Way to hire a $75,000 a year Youth Services Coordinator. Mr. Lash said that he is trying to put all the funding for external entities in the First Selectman’s budget, noting, however, that the LMG grant is still in the Health Department budget.

Ms. Burnett asked if there is a long-term plan for GEMS.

Mr. Lash responded that the GEMS volume of calls has been rising. He said that GEMS has spun off ACCESS. GEMS has been trying to get its personnel into rough parity with the other public safety services in Town. They are fully staffed at the moment (perhaps one person short) and able to recruit personnel. They are occupying the newly acquired King Street site, and the Art Barn is about to be redone which will lower GEMS operating costs. The GEMS administrative headquarters will eventually be in the new public safety complex. This will integrate GEMS administratively with the other public safety services. GEMS continues to raise its own capital money. The contract with the Town requires GEMS to provide a certain level of response service that is reported to the Town monthly. The King Street location should help GEMS maintain its response time objectives.

Mr. Simon, referring to the chart that Mr. Lash had handed out regarding pharmaceutical costs for Town retirees, said that in 1999 there was a blended rate. He asked if we were now going back to a blended rate for retirees that would be different from the rate for active employees because the rate for actives would not be a blended rate. Mr. Lash responded that both the actives and the retirees would have a blended rate. There will be one rate for both active employees and retirees who retired before July 1, 2000.

Mr. Simon asked Mr. Lash to comment on resources for spending on technology and communications in the Capital Budget.

Mr. Lash said that the vast majority of the communications money going into the schools is to replace the telephone system ($1.4 million). The current system is technologically antiquated, incompatible with the system that the rest of the Town is going into, and doesn’t meet the standards for classrooms.

In response to a follow-up question from Mr. Simon, Mr. Lash said that there is an agreed upon technology for telephones throughout Town. These are digital systems that will operate voiceover IP if that is what we choose to do. The systems are compatible.

With regard to the broader technology plan, Mr. Lash said that there is a need to have a document management system. With regard to our underlying computer systems, we have a state of the art public safety dispatch system. The police car equipment is being replaced with newer mobile terminals, and we are beginning to do this with the fire equipment as well. With regard to data processing systems, we have the MUNIS system which is a very low cost and not very complex system. The MUNIS system is now fully operational and installed everywhere.
The system we miss the most in terms of cost impact is Project Management, where we have the weakest capability and the least systems.

Mr. Walko asked, with regard to the Capital Budget, if the Budget Committee would receive information regarding pedestrian safety, particularly about Safe Routes to Schools as a pilot project.

Mr. Lash responded that over the summer and early fall of ‘04 the First Phase money to build Safe Routes was being spent. There was real community involvement in this resulting in redesign. Pretty much all of Phase I money has been spent. There is a fair amount of Cos Cob Phase II money in this year’s budget. The Parking and Traffic Committee, working with Garo Garabedian and with the community, has agreed to develop an assessment process so that we can see how it is working and get community reaction to the changes. We expect some feedback by next summer and then will roll out the next phase and probably by the following summer we will begin to measure its effectiveness.

Mr. Walko asked, on the operating side, what Mr. Lash can tell us about the software for the Law Department and whether any analysis will come in this budget cycle.

Mr. Lash said that not much has happened there.

Mr. Walko, referring to this as the first year of the Charter change and the submission of departmental operations plans to the First Selectman, asked how it was working and if there were some departments that needed more help than others. Ms. Storms asked if the Budget Committee will be getting more of the operations plans as some departmental plans are missing from the materials the Budget Committee has received.

In response to Ms. Storms’ question, Mr. Lash said that the Budget Committee will have all the operations plans. In response to Mr. Walko’s question, Mr. Lash said that there were a variety of reasons why some operations plans were initially rejected. These were sent back to the departments to be reworked. The departments that were thinking in terms of outcome budgeting clearly had the easiest time. During his performance reviews with the heads of the departments reporting to him, Mr. Lash discussed their operations plans. Mr. Lash said that the weakest piece is the notion of metrics. There are places where we do it well such as the pavement management system, but in other cases, department heads say there is no way to measure what they do. Mr. Lash said that we have a long way to go with this. He said that his objective is to get to the point where we have some metrics for every department that reflect the most important things the department does, not just the activity level.

Ms. Burnett asked if Mr. Lash is tying the MC step system to the performance reviews and the operations plans. Mr. Lash said he separated the two. The performance review in which operations plans were discussed was not the step review, and this was made clear to the department heads. The step review will happen in May or June. With regard to departments not reporting to the First Selectman, Mr. Lash said that the Boards and
Commissions with which he has had the most interaction are getting a better handle on how their departments are doing and are doing better performance reviews, but there is still no uniformity to this.

Mr. Simon asked how close we are to getting longer range operating plans and budgets.

Mr. Lash said that, as a mechanical matter, we are not in bad shape. We can forecast readily, but it is not a dynamic process. We do not have a mechanism for reflecting changes in the budget such as a maintenance plan and increased, or decreased, operating costs for a new building. Our forecasting ability is pretty good right now, but not yet that sophisticated.

Mr. Simon said that he thought we could look at staffing, contract changes and attrition and build a more dynamic model over the next few years and then see how accurately we can project these costs.

Ms. Storms commended Mr. Lash on this budget, but said that thanks are also due to Mr. Gieger, Mr. Mynarski and Mr. Gomeau for putting this budget together. Mr. Lash concurred that the systems they have in place made this budget possible.

Mr. Lash concluded by saying he had two or three Charter changes he would like to put through in this next cycle. He would like to get the Human Resources Department recognized as a Department in the Charter and he would like a Charter provision for the Town Administrator position.

The meeting ended at 8:18 p.m.

Respectfully submitted,

Alma Rutgers, Recording Secretary

Valeria P. Storms, Chairman