

3 PRIMROSE STREET
NEWTOWN, CT 06470
TEL. (203) 270-4201
FAX (203) 270-4205
www.newtown-ct.gov



TOWN OF NEWTOWN

LEGISLATIVE COUNCIL

**TOWN OF NEWTOWN LEGISLATIVE COUNCIL MEETING
WEDNESDAY, MARCH 18, 2015
NEWTOWN MUNICIPAL CENTER, NEWTOWN, CT**

PRESENT: George Ferguson, Joe Girgasky, Eva Bermudez (7:38), Paul Lundquist, Bob Merola, Ryan Knapp, Neil Chaudhary, Mary Ann Jacob, Dan Amaral, Tony Filiato, Phil Carroll, Dan Honan.

ALSO PRESENT: Finance Director Bob Tait, Board of Finance Chair John Kortze, Superintendent Dr. Erardi, Assistant Superintendent Linda Gejda, Board of Education members Kathy Hamilton, Keith Alexander, and Michele Ku, Director of Planning George Benson, Attorneys David Grogins and Fran Pennarola, 3 members of the public and one press.

CALL TO ORDER: Ms. Jacob called the meeting to order at 7:30 with the Pledge of Allegiance.

VOTER COMMENT: None

MINUTES: MR. FERGUSON MOVED TO ACCEPT THE MINUTES OF THE MARCH 4, 2015 REGULAR MEETING. SECOND BY MR. LUNDQUIST. Mr. Chaudhary noted a correction. The motion regarding the CIP was not withdrawn, it was postponed. Ms. Jacob is adding to the minutes the list of sub-committee budget accounts. APPROVED AS AMENDED.
Attachment

COMMUNICATIONS: None

COMMITTEE REPORTS: Mr. Ferguson stated the Finance and Administration committee will meet on March 26 at 7:00pm in Meeting Room 3. Mr. Merola stated Municipal Operations committee will meet on Tuesday, March 24 at 7:00pm in Meeting Room 1. Mr. Chaudhary stated Education Committee will meet Monday, March 23 at 7:30 in Meeting Room 1.

FIRST SELECTMAN'S REPORT: None

NEW BUSINESS

Board of Finance Recommended 2015-2016 Budget: Mr. Kortze stated the Board of Finance recommended budget was unanimously endorsed. Spending will increase by .6%, but with increases in revenues, the mill rate will decrease by .71% resulting in a mill rate of 33.07. He noted the four largest expenses are Education, Debt Service, Public Works and Public Safety. Mr. Kortze stated the Employee Medical Benefits Board recommended removing \$300,000 from the Employee Medical Fund; reduction of \$225,000 from the Education budget and \$75,000 from the Selectmen's. The fund will remain within their recommended guidelines.

Bids received for fuel came in lower than expected. Mr. Kortze encourages the council to explore this topic of the town and Board of Education bidding together to achieve the best price possible. Currently, there is a .72 cent difference between the price the town and the Board of Education received yielding a difference of \$120,000 in savings not realized. Mr. Kortze stated the Board of Selectmen had reduced funds from the Library and Edmund Town Hall. The Board of Finance met with each group and they have restored some of the funding. The Board of Ed has a separate dental self-insurance fund. The Board of Finance is recommending moving the fund to the medical fund thereby reducing the contributions by \$265,513. Mr. Kortze noted the boards worked collaboratively to attain reductions and they do not affect services. The refinancing of bonds has saved money on debt service. Mr. Tait shared an analysis of annual budgets. Mr. Tait noted there is no tax increase for 2 years due to increased revenues. The average budget increase for the past 10 years is below the average Social Security COLA. The large increase 3 years ago was due to security. Mr. Kortze noted that debt service is flat for the next several years. The debt decreases as a percent of the budget for the next 10 years.

Mr. Kortze stated the Board of Finance is recommending adoption of the budget as presented. Any further reductions could affect services. Mr. Kortze noted the difference in fuel price between the town and Board of Ed was due to the timing of the bids and the volatility of oil markets.

Ms. Jacob asked why only 2 buses were reduced. Mr. Kortze stated after conversations with Dr. Erardi and looking at the data, the board, and Dr. Erardi, believes 2 buses was appropriate. He believes there is a diligence that needs to be continued by the administration. The bus company works for the town, and not the other way around. Encourage what the contract dictates; a continuing collaboration for efficiencies.

Ms. Jacob stated they have been talking for several years about combining town and Board of Ed non-essential services. She asked if the Board had any discussion on reducing the budget \$120,000 as a result of not collaborating on fuel. Mr. Kortze stated there were two different perspectives on when the bids were done and it resulted in a large divergence in price. They did not make the recommendation for the cut because they did not know the outcome since there is an obligation to the contract. The administration will continue to look into the fuel. Mr. Kortze reminded the Council the town spent about \$70,000 on the Blum Shapiro Efficiencies and Consolidation of Services report and we have realized only about \$17,000 in savings. The Board of Finance is going to bring it up. It is a statutory requirement for Boards of Finance to make recommendations to Boards of Education on non-educational expenditures. Mr. Kortze stated he has been unable to get a definition on non-educational expenses.

Mr. Merola asked about Minimum Budget Requirement. Mr. Kortze stated the MBR allows for reductions to the education budget less than the previous year based on the number of students. This year it is about \$239,000. Mr. Kortze believes the focus the town should embrace is a larger efficiency that can be realized and whether the district should make a change to the number of schools. *Attachment*

Appointment of an Ad Hoc Committee for Roads: Ms. Jacob stated there were a number of questions on increasing the capital roads by one million and the long term plan for roads. She and Mrs. Llodra discussed creating an ad hoc committee to look at long term planning and recommendations for tracking the spending. Mr. Knapp, Mr. Filiato and Mr. Amaral have volunteered to be on the committee. It will include members of the public. Action will be taken at a later date.

Appointment of a council member to the Public Safety Committee (DOC/Garner): Ms. Jacob stated the Public Safety Committee requires a member of the Legislative Council. Mr. Chaudhary has agreed to be on the Committee. It meets four times a year.

OLD BUSINESS

Revised CIP Regulation: MR. CHAUDHARY MOVED TO REOPEN DISCUSSION ON THE REVISED CIP REGULATION. SECOND BY MR. FERGUSON. MOTIONS APPROVED.

EXECUTIVE SESSION: MR. CHAUDHARY MOTIONED TO ENTER EXECUTIVE SESSION FOR THE PURPOSE OF DISCUSSING A LEGAL MATTER: NEGOTIATIONS WITH RESPECT TO PENDING LITIGATION, SETTLEMENT AGREEMENT FOR 75 CHURCH HILL RD. AND INVITED DAVE GROGINS, GEORGE BENSON AND FRAN PENNAROLA. MOTION SECOND AND APPROVED. The council entered executive session at 8:25pm.

The council returned to public session at 9:20pm.

Resolution: MR. CHAUDHARY MOTIONED TO AUTHORIZE THE FIRST SELECTMAN TO WORK WITH COHEN AND WOLF TO EXECUTE A SETTLEMENT AGREEMENT RELATED TO THE PROPERTY AT #75 CHURCH HILL ROAD. SUCH FINAL AGREEMENT TO INCLUDE UPDATED FINANCIAL INFORMATION PROVIDED BY THE NEWTOWN TAX COLLECTOR AND THE WATER SEWER AUTHORITY. FURTHER, THE WATER SEWER AUTHORITY AND THE ESTATE OF NOIE RICHARDS ARE TO BE PARTIES TO THE FINAL SETTLEMENT AGREEMENT. SECOND BY MR. CARROLL. Mr. Chaudhary summarized the town will forgive the tax debt, never to be recouped, in exchange for a taxable property estimated to be \$50,000 to \$57,000 a year. Mr. Knapp asked who would be responsible for future contaminant issues. Mr. Grogins said it would be the responsibility of the developer. APPROVED.

VOTER COMMENT: None

ANNOUNCEMENTS: None

ADJOURNMENT: There being no further business, the meeting adjourned at 9:30pm.

Respectfully Submitted,

Carey Schierloh
Clerk

Attachments: Sub-Committee Budget Accounts, Board of Finance Report

These are draft minutes and as such are subject to correction by the Legislative Council at the next regular meeting. All corrections will be determined in minutes of the meeting at which they were corrected.

Finance/Administration

REVENUES & OTHER FINANCING SOURCES:

PROPERTY TAXES
INTERGOVERNMENTAL
CHARGES FOR SERVICES
INVESTMENT INCOME
OTHER REVENUES
OTHER FINANCING SOURCES

GENERAL GOVERNMENT

SELECTMEN
SELECTMEN - OTHER
TAX COLLECTOR
PROBATE COURT
TOWN CLERK
REGISTRARS
TAX ASSESSOR
FINANCE
TECHNOLOGY DEPARTMENT
UNEMPLOYMENT
SOCIAL SECURITY
PENSION FUND
OPEB CONTRIBUTION
EMPLOYEE BENEFITS
PROFESSIONAL ORGANIZATIONS
INSURANCE
LEGISLATIVE COUNCIL
DISTRICT CONTRIBUTIONS
ECONOMIC DEVELOPMENT COMM.
SUSTAINABLE ENERGYK COMM.
FAIRFILED HILLS AUTHORITY

CONTINGENCY

CONTINGENCY

DEBT SERVICE

DEBT SERVICE

OTHER FINANCING USES

TOWN HALL MANAGERS
RESERVE CAP & NONRECURRING EXP
TRANSFER OUT - CAP PROJECT

RESERVE CAP & NONRECURRING EXP

860 RESERVE CAP & NONRECURRING EXP

Education

BOARD OF EDUCATION

BOARD OF EDUCATION

Municipal Operations

PUBLIC SAFETY

EMERGENCY COMMUNICATIONS
POLICE
CANINE CONTROL
FIRE
EMERGENCY MANAGEMENT/N.U.S.A.R.
LAKE AUTHORITIES
N.W. SAFETY COMMUNICATION
EMERGENCY MEDICAL SERVICES
NW CONNECTICUT EMS COUNCIL

PUBLIC WORKS

BUILDING DEPARTMENT
HIGHWAY
WINTER MAINTENANCE
LANDFILL
PUBLIC BUILDING MAINTENANCE
CAR POOL

HEALTH AND WELFARE

SOCIAL SERVICES
SENIOR SERVICES
NEWTOWN HEALTH DISTRICT
NEWTOWN YOUTH & FAMILY SERVICES
CHILDREN'S ADVENTURE CENTER
TICK ACTION COMMITTEE
OUTSIDE AGENCY CONTRIBUTIONS

LAND USE

LAND USE

PARKS AND RECREATION

PARKS AND RECREATION
LIBRARY
NEWTOWN CULTURAL ARTS COMMISSION
NEWTOWN PARADE COMMITTEE

2015 -16 BOS / BOE PROPOSED BUDGET

	Amount	Change from Prior Year
BOS	40,203,958	1.22%
BOE	72,253,488	1.27%
TOTAL	<u>112,457,446</u>	<u>1.25%</u>

2015 - 16 BOARD OF FINANCE RECOMMENDED BUDGET

BOF	111,730,513	0.60%
-----	-------------	-------





(\$726,933)
REDUCTION

MILL RATE (AS A RESULT OF BOARD OF FINANCE RECOMMENDED)

2014-15	2015 - 16	TAX RATE DECREASE
33.31	33.07	-0.71%

TOWN OF NEWTOWN
2015-16 BOARD OF FINANCE RECOMMENDED

SUMMARY BY FUNCTION:

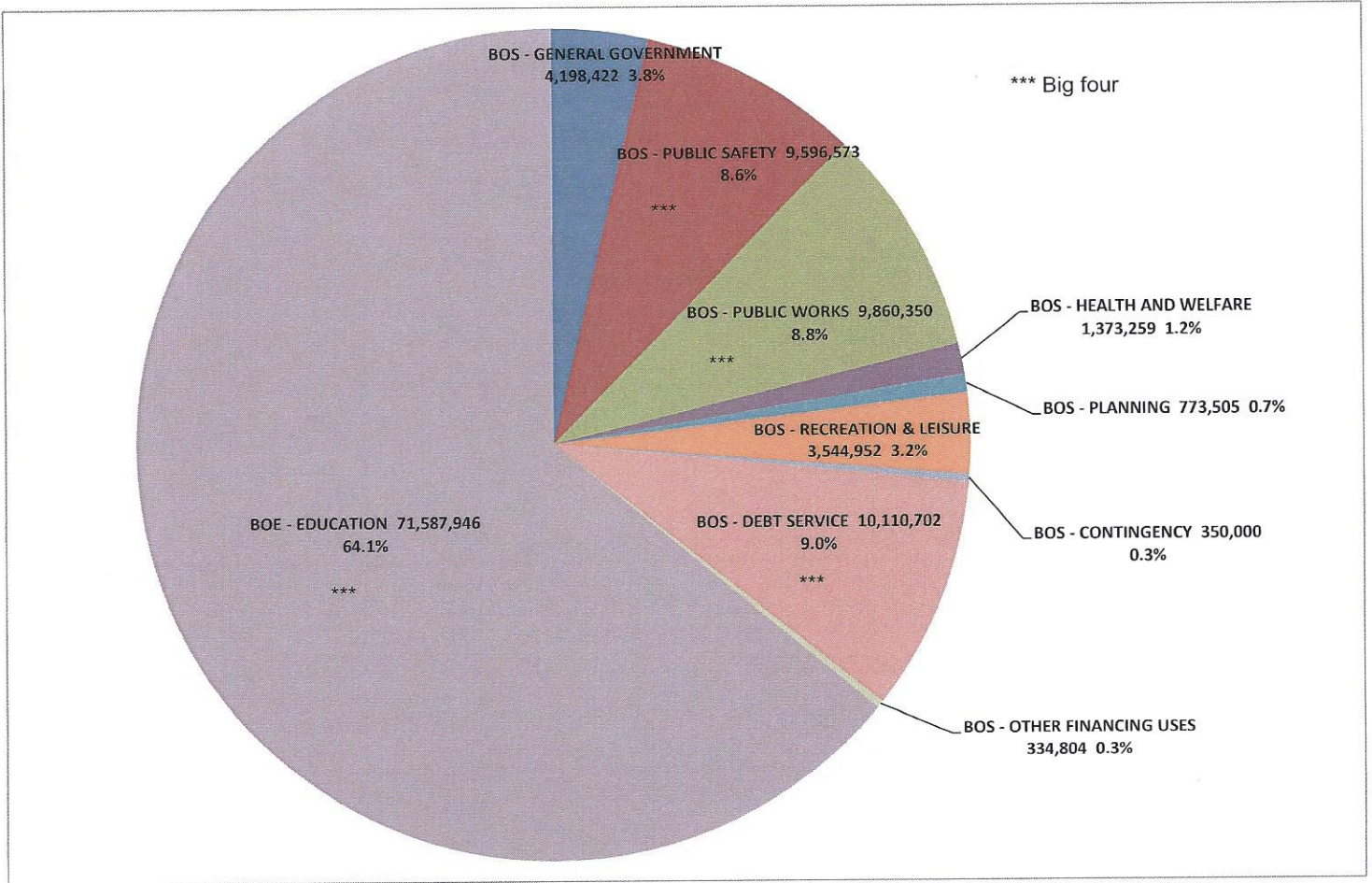
BOS - GENERAL GOVERNMENT	4,198,422	3.8%	
BOS - PUBLIC SAFETY	9,596,573	8.6%	
BOS - PUBLIC WORKS	9,860,350	8.8%	
BOS - HEALTH AND WELFARE	1,373,259	1.2%	
BOS - PLANNING	773,505	0.7%	
BOS - RECREATION & LEISURE	3,544,952	3.2%	
BOS - CONTINGENCY	350,000	0.3%	
BOS - DEBT SERVICE	10,110,702	9.0%	
BOS - OTHER FINANCING USES	334,804	0.3%	
BOE - EDUCATION	71,587,946	64.1%	
TOTAL	111,730,513	100.0%	



The Big Four: Education; Debt Service; Public Works; Public Safety

Make up more than 90% of the Total Budget

2015 - 2016 BOARD OF FINANCE RECOMMENDED BUDGET



TOWN OF NEWTOWN				
2015 - 2016 BUDGET - BOARD OF FINANCE RECOMMENDED ADJUSTMENTS				
FUNCTION / DEPARTMENT / ACCOUNT	2015-2016 BUDGET	BOARD OF	2015-2016 BUDGET	COMMENTS
	BOS / BOE	FINANCE	BOARD OF FINANCE	
3/12/2015	PROPOSED	ADJUSTMENTS	RECOMMENDED	
GENERAL GOVERNMENT				
OPEB CONTRIBUTION - GROUP INSURANCE	152,755	(75,000)	77,755	REDUCE CONTRIBUTION TO EMPLOYEE MEDICAL SELF INSURANCE FUND PER EMPLOYEE MEDICAL BENEFITS BOARD.
PUBLIC WORKS				
HIGHWAY - ENERGY - FUEL OIL	402,400	(41,391)	361,009	PER FUEL OIL BID ON 3/2/2015. CHANGED FROM \$2.65 PER GALLON TO \$2.1901 PER GALLON RESULTING IN SAVINGS.
RECREATION & LEISURE				
LIBRARY - CONTRIBUTIONS	1,183,806	20,000	1,203,806	INCREASE IS TO HELP PAY FOR THE FOLLOWING INITIATIVES; ECONOMIC DEVELOPMENT, ARCHIVAL PROJECTS, STRATEGIC PLANNING.
OTHER FINANCING USES				
TOWN HALL BOARD OF MANAGERS - CONTRIBUTIONS	-	35,000	35,000	RESTORE FUNDING AFTER DEMONSTRATING NEED.
EDUCATION				
EDUCATION LINE ITEM	72,253,488	(665,542)	71,587,946	JUSTIFICATION FOR REDUCTION: MEDICAL SELF INSURANCE CONTRIBUTION - (225,000) MERGE DENTAL SELF INSURANCE WITH THE MEDICAL SELF-INSURANCE FUND - (265,513) DIESEL FUEL SAVINGS FROM NEW BID - (50,589) REDUCE TWO SCHOOL BUSES - (124,440)
TOTAL ADJUSTMENTS 03/12/2015		(726,933)		

TOWN OF NEWTOWN
SUMMARY OF EXPENDITURES - BOARD OF FINANCE RECOMMENDED 2015-16 BUDGET
12-Mar-15

	2014 - 2015		2015 - 2016 BUDGET					
	ADOPTED	AMENDED	ESTIMATED	1st SELECTMAN PROPOSED	BOS PROPOSED	Board of Finance RECOMMENDED	Increase / (Decrease)	Percent Change
MUNICIPAL SERVICES		B				A	A - B	
WAGES & SALARIES	11,338,300	11,406,091	11,406,091	11,552,676	11,552,676	11,552,676	146,585	1.29%
FRINGE BENEFITS	5,057,872	5,091,722	5,091,722	5,087,541	5,087,541	5,012,541	(79,181)	-1.56%
INSURANCE	1,033,500	1,019,550	1,019,550	1,025,000	1,025,000	1,025,000	5,450	0.53%
OPERATING EXPENSES	7,298,880	7,306,966	7,436,569	7,383,807	7,383,807	7,342,416	35,450	0.49%
CAPITAL	2,232,024	2,240,524	2,247,524	2,539,929	2,539,929	2,539,929	299,405	13.36%
CONTINGENCY	250,000	144,063	7,460	350,000	350,000	350,000	205,937	142.95%
CONTRIBUTIONS TO OUTSIDE AGENCIES:								
TOWN AGENCIES	2,078,495	2,080,155	2,080,155	2,065,460	2,065,460	2,120,460	40,305	1.94%
OTHER AGENCIES	88,835	88,835	88,835	88,842	88,842	88,842	7	0.01%
TOTAL MUNICIPAL SERVICES	29,377,906	29,377,906	29,377,906	30,093,256	30,093,256	30,031,865	653,959	2.23%
CAPITAL FINANCING - DEBT SERVICE	10,342,994	10,342,994	10,342,994	10,110,702	10,110,702	10,110,702	(232,292)	-2.25%
TOTAL BOARD OF SELECTMEN BUDGET	39,720,900	39,720,900	39,720,900	40,203,958	40,203,958	40,142,567	421,667	1.06%
BOARD OF EDUCATION	71,345,304	71,345,304	71,345,304	72,399,186	72,253,488	71,587,946	242,642	0.34%
TOTAL EXPENDITURES	111,066,204	111,066,204	111,066,204	112,603,144	112,457,446	111,730,513	664,309	0.60%

CALCULATION OF TAX LEVY (MILL RATE)

MILL RATE CALCULATION - 2015 / 2016			
Millrate Calculation		2014 List	
➤	TOTAL NET ASSESSMENT (LESS EXEMPTIONS)	a	3,076,448,594
➤	ADD(MINUS) ESTIMATED VALUATION ADJUSTMENTS (BEFORE TAX BILLS GO OUT)	b	(2,000,000)
➤	EFFECTIVE ASSESSMENT ON CIRCUIT BREAKER TAX CREDIT OF	\$ 165,000	b (4,989,416)
➤	EFFECTIVE ASSESSMENT ON LOCAL CREDITS: NEWTOWN ELDERLY TAX BENEFITS OF (1,625,000 less 250,000 reserved)	\$ 1,400,000	c (42,334,442)
TOTAL TAXABLE NET ASSESSMENT (after adjustments and credits)			3,027,124,736
➤	Amount to be raised by taxation (from "current year taxes" - revenue budget)		99,114,170
➤	TAX LEVY - assuming a tax collection rate of (= billed amount) (Amount to be Raised divided by Collection Rate)	99.0%	d 100,115,323
➤	MILL RATE = (Tax Levy divided by (Taxable Net Assessment / 1,000))		33.07
		1 MILL =	3,027,125
		PRIOR YEAR MILL RATE =	33.31
		EFFECTIVE TAX (DECREASE) =	-0.71%
a	PER ASSESSOR REPORT; SEE NEXT PAGE		
b	PER ASSESSOR ESTIMATE		
c	PER TAX COLLECTOR		
d	PER BOARD OF FINANCE		
	prior yr taxable net assessment		2,996,047,361 1.04%
	prior yr net assessment (less exemptions)		3,053,619,090 0.75%

TOWN OF NEWTOWN
BUDGET ANALYSIS
2005-06 TO 2015-16

	EDUCATON		TOWN						GRAND TOTAL		TAX RATE	
Fiscal Yr	Education Budget	% Change	BOS Oper Budget	% Change	Debt Sv Budget	% Change	BOS Total Budget	% Change	Total Budget	% Change	Mill Rate	Mill % inc
2015-16 *	71,587,946	0.34%	30,031,865	2.23%	10,110,702	-2.25%	40,142,567	1.06%	111,730,513	0.60%	33.07	-0.71%
2014-15	71,345,304	0.42%	29,377,906	1.42%	10,342,994	2.82%	39,720,900	1.78%	111,066,204	0.91%	33.31	-0.03%
2013-14	71,045,304	3.93%	28,965,599	4.45%	10,058,924	-0.01%	39,024,523	3.26%	110,069,827	3.70%	33.32	3.97% **
2012-13	68,355,794	0.57%	27,731,255	-0.47%	10,059,789	3.47%	37,791,044	0.55%	106,146,838	0.56%	24.54	0.69%
2011-12	67,971,427	1.16%	27,861,255	0.24%	9,722,393	4.61%	37,583,648	1.33%	105,555,075	1.22%	24.37	1.54%
2010-11	67,194,734	1.33%	27,795,856	2.22%	9,294,025	-8.97%	37,089,881	-0.83%	104,284,615	0.55%	24.00	2.43%
2009-10	66,314,928	0.43%	27,191,792	-5.13%	10,209,974	-5.22%	37,401,766	-5.15%	103,716,694	-1.66%	23.43	0.99%
2008-09	66,031,044	5.00%	28,661,230	3.52%	10,772,170	15.74%	39,433,400	6.59%	105,464,444	5.59%	23.20	**
2007-08	62,885,158	4.14%	27,686,436	3.67%	9,307,283	12.44%	36,993,719	5.75%	99,878,877	4.73%	28.10	2.93%
2006-07	60,387,154	6.06%	26,705,705	5.43%	8,277,347	6.97%	34,983,052	5.79%	95,370,206	5.96%	27.30	4.60%
2005-06	56,938,770		25,329,283		7,738,173		33,067,456		90,006,226		26.10	
10 Yr increase		18.55%		12.45%		22.15%		14.75%		17.15%		
10 Yr avg incr		1.85%		1.25%		2.21%		1.47%		1.72%		

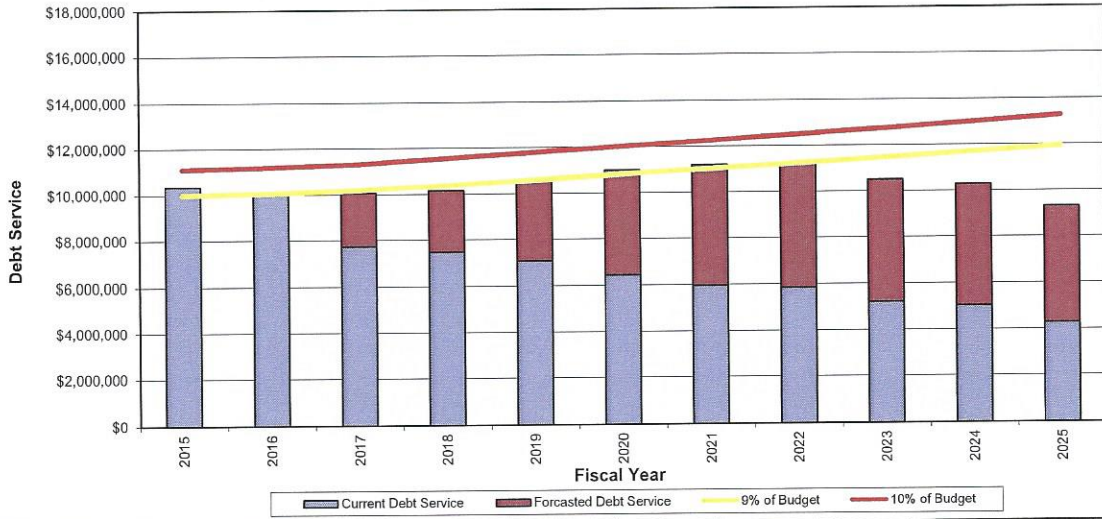
* Board of Finance Recommended

** reval

TOWN OF NEWTOWN 2015-2016 CIP - FORCASTED PROJECT AMOUNTS - DEBT LIMIT CALCULATION

TOWN OF NEWTOWN 2015-2016 CIP - FORCASTED PROJECT AMOUNTS - DEBT LIMIT CALCULATION														
current yr		2015-16 TO 2019-20 CIP						Total Est. Debt Service Fiscal Year Total	Forecasted Debt Total	General Fund Budget	Debt Service as a % of Budget	9% of Budget	10% of Budget	Estimated Debt Service
2014-2015	2015 - 2016	2016 - 2017	2017 - 2018	2018 - 2019	2019 - 2020	2020 Bond								
Fiscal	Current	Planned	Forecasted	Forecasted	Forecasted	Forecasted	Forecasted	Total	Debt	General Fund	Debt Service	9%	10%	Estimated
Years	Debt	2015 Bond	2016 Bond	2017 Bond	2018 Bond	2019 Bond	2020 Bond							
Ending	Service	Issue	Issue	Issue	Issue	Issue	Issue	FIVE YEAR BORROWING AMOUNT ***						
Ending	Schedule	(02/15/2015)	(02/15/2016)	(02/15/2017)	(02/15/2018)	(02/15/2019)	(02/15/2020)							
PRINCIPAL AMOUNT>>>	-	12,321,000	17,065,000	14,392,000	12,555,000	7,990,000	64,323,000							
06/30/2015	10,342,994						10,342,994	-	111,066,204	9.31%	9,995,958	11,106,620	10,342,994	
06/30/2016	10,106,360	-					10,106,360	-	111,730,513	9.05%	10,055,746	11,173,051	10,106,360	
06/30/2017	7,733,590	-	2,341,125				10,074,715	2,341,125	113,127,144	8.91%	10,181,443	11,312,714	10,074,715	
06/30/2018	7,479,296	-	775,021	1,901,720			10,156,037	2,676,741	115,389,687	8.60%	10,385,072	11,538,969	10,156,037	
06/30/2019	7,072,547	-	760,667	1,454,097	1,316,868		10,604,179	3,531,632	117,697,481	9.01%	10,592,773	11,769,748	10,604,179	
06/30/2020	6,435,217	-	746,313	1,321,673	1,287,005	1,192,725	10,982,933	4,547,716	120,051,431	9.15%	10,804,629	12,005,143	10,982,933	
06/30/2021	5,951,880	-	731,960	1,293,050	1,257,141	1,164,476	11,185,522	5,233,642	122,452,459	9.13%	11,020,721	12,245,246	11,185,522	
06/30/2022	5,850,470	-	917,606	1,364,426	1,227,278	1,136,228	11,263,646	5,413,176	124,901,508	9.02%	11,241,136	12,490,151	11,263,646	
06/30/2023	5,234,523	-	896,352	1,332,003	1,197,414	1,107,979	10,516,534	5,282,011	127,399,539	8.25%	11,465,658	12,739,954	10,516,534	
06/30/2024	5,056,292	-	975,098	1,299,579	1,167,551	1,079,730	10,307,138	5,250,846	129,947,529	7.93%	11,695,278	12,994,753	10,307,138	
06/30/2025	4,282,060	-	850,395	1,267,156	1,137,688	1,051,481	9,298,291	5,016,231	132,546,480	7.02%	11,929,183	13,254,648	9,298,291	
*	No bond issue in 2015; \$1,500,000 carried over to 2016 issue.													
**	2016 Issue:						2014/15 CIP CARRY OVER:							
	2014/15 CIP	1,815,000					Newtown H & L	1,000,000						
	2015/16 CIP	10,506,000					S.H. Streetscape	200,000						
	add	1,000,000	roads				Walking Trails	300,000						
	less	(1,000,000)	?				Bridge	315,000						
		12,321,000						1,815,000						
***	FIVE YEAR PLANNED BORROWING AMOUNT = \$64,323,000; LESS 2014/15 CARRY OVER OF \$1,815,000 = 2015-16 APPROVED CIP AMOUNT = \$62,508,000.													

TOWN OF NEWTOWN
2014 - 15 TO 2018-19 CIP EFFECT ON FUTURE DEBT SERVICE



March 3, 2015

RE: Employee Medical Benefits Board 2015-2016 Self-insured Reserve Fund Determination
To Bob Tait and Ron Bienkowski
Cc: John Kortze

Bob and Ron:

Thank you for participating in the meeting last evening. Your input on projected enrollment and contributions was helpful in guiding us to our determination. During the first 8 months of the '14-'15 plan year, the claims experience has come in lower than expected. Major health insurers experienced higher trends in their books of business in 2014. Mercer, Aon Hewitt and Towers Watson all have 2015 trend guidance in the 6-7% range. Mercer's 7.1% drops to 4.6%, when they account for the reality that most employers are implementing significant benefit changes. That is a **35% reduction** in the increase of cost. When we talk about bending the cost curve downward, that's how most employers are making it happen. There are more constraints on a municipality, with collective bargaining agreements in place. However, that increases the importance of making each negotiation count. The enrollment split between BOE/Town remains 76%/24%. Costs should be shared accordingly.

The board voted to allow a decrease in additions to the reserve fund of \$300,000. Taking into account a \$300,000 cut in employer contributions, Bob's exhibit projects the reserve fund will be \$3.12 million on July 1, 2015. With the projected '15-'16 year program costs in the range of \$14.1 to \$14.5 million, that reserve level is right in the acceptable range, where we believe it should be.

The Anthem renewal uses a 7.7% trend, to arrive at \$14.5 million cost, \$1.3 million of which is admin cost. The reinsurance premiums are increasing 6% this year, compared to 17% last year. The number of claimants over 50k, remained very consistent with last year, at 34, showing that 1.65% of members accounted for 32.5% of the cost, or \$3.9 million (12 months through December 2014).

The board also wants to emphasize some of the factors, which are within your control, to manage for the future success of this program:

- Focus on, and invest in programs that enhance preventive care, encouraging your membership to receive their scheduled care, which has many benefits. Anthem should have a host of wellness programs available to you. You should explore those.
- Data is available today on the costs and quality of healthcare being delivered in CT. Educating your members how and where to find this information should be a priority.
- As the board has consistently stated, place more emphasis on increasing the portion of membership enrolled in the H.S.A.- enabled health plan.
- Your insurance consultant pointed out that approximately \$1.4 million of the claims in the last 12-month period were attributed to prescription medications. You should work with your insurance carrier, to try to help your members increase their compliance in following the medication regimen ordered by their physicians. Typically, insurance companies and prescription benefit managers (PBMs) have several programs to assist in these efforts. Often these programs improve member health outcomes and member satisfaction with their plan.
- Adequate planning, preparation and resolve in your union negotiations. You are fully informed and aware of the estimated tax penalty associated with not changing your benefit programs. The number Steve May gave you was \$1,550,000 as an ACA tax penalty (in 2018) if you do not significantly alter your benefit structure. The time to act is now.

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS @ FEB 28, 2015
 FISCAL YEAR 2014 - 2015 FORECAST

FUND BALANCE @ JULY 1, 2014		2,210,990	
 <u>ESTIMATED REVENUES</u>			
EMPLOYER CONTRIBUTIONS:			
MUNICIPAL	2,967,280		
EDUCATION	<u>8,267,309</u>	11,234,589	REDUCED BY \$300,000
EMPLOYEE CONTRIBUTIONS:			
MUNICIPAL	310,000		
EDUCATION	<u>2,034,000</u>	2,344,000	
RETIREE/COBRA/AGENCY CONTRIBUTIONS:			
MUNICIPAL	265,000		
EDUCATION	<u>350,000</u>	615,000	
INTEREST EARNED ON INVESTMENTS		5,000	
TOTAL REVENUES		<u>14,198,589</u>	
 <u>ESTIMATED EXPENSES</u>			
CLAIMS/NAF:			
MUNICIPAL			
EDUCATION		12,148,206	<<<<<FROM CLAIMS ANALYSIS
ADMINISTRATIVE FEES:			
MUNICIPAL			
EDUCATION		1,085,000	
CONSULTANT FEES		55,000	
TOTAL EXPENSES		<u>13,288,206</u>	
ESTIMATED FUND BALANCE @ JUNE 30, 2015		<u>3,121,373</u>	
	25% OF TOTAL CLAIMS =	3,037,052	

TOWN OF NEWTOWN
 MEDICAL SELF INSURANCE FUND ANALYSIS @ FEB 28, 2015
 FISCAL YEAR 2015 - 2016 FORECAST

ESTIMATED FUND BALANCE @ JULY 1, 2015	3,121,373
 <u>ESTIMATED REVENUES</u>	
EMPLOYER CONTRIBUTIONS:	
MUNICIPAL	2,892,280
EDUCATION	<u>8,042,309</u>
	10,934,589 (-\$300,000)
EMPLOYEE CONTRIBUTIONS:	
MUNICIPAL	328,600
EDUCATION	<u>2,125,163</u>
	2,453,763
RETIREE/COBRA/AGENCY CONTRIBUTIONS:	
MUNICIPAL	265,000
EDUCATION	<u>376,313</u>
	641,313
INTEREST EARNED ON INVESTMENTS	10,000
TOTAL REVENUES	<u>14,039,665</u>
 <u>ESTIMATED EXPENSES</u>	
CLAIMS/NAF:	
MUNICIPAL	
EDUCATION	12,974,284 (6.8%)
ADMINISTRATIVE FEES:	
MUNICIPAL	
EDUCATION	1,085,000
CONSULTANT FEES	55,000
TOTAL EXPENSES	<u>14,114,284</u>
ESTIMATED FUND BALANCE @ JUNE 30, 2016	<u>3,046,754</u>
25% OF TOTAL CLAIMS =	3,243,571