Call to Order / Pledge of Allegiance

Board of Apportionment and Taxation Chairman Christopher Besecheck called the meeting to order at 7 p.m. All those present rose and pledged allegiance to the flag.

Roll Call

BOARD OF APPORTIONMENT AND TAXATION

Christopher Besecheck, Chairman
John Belden
Wayne Bragg
Judson Crawford
Charlotte Madar
James Tickey

BOARD OF ALDERMEN

John Anglace
Lynne Farrell
Jack Finn
Stan Kudej
Noreen McGorty
Eric McPherson
John Papa
Anthony Simonetti

Mr. Besecheck stated, good evening everybody, thank you for coming. To the City of Shelton, Mayor Lauretti, and the Board of Aldermen, first I would like to thank the department heads and representatives along with the Board of Aldermen for their hard work and help through this entire budget process. This year's budget process was very enjoyable and also very educational for us. Over the course of the past month our board has worked very diligently collecting information, studying numbers, and discussing back and forth the fiscal year 2012-2013 budget. What was different this year, was the direction we took. We decided to make this a bipartisan effort in order to do the best job we could for the taxpayers.
Our strategy was not to get caught up in the differences between our sides – the unison of all of the residents and taxpayers in the City of Shelton. With that being said, we immediately could see the incredible job Mayor Lauretti and the Board of Aldermen have done in the past years to keep Shelton moving forward and providing as much services as possible all while keeping taxes low. Even in times of global hardship Shelton is managing to move forward. On what was supposed to be the final night of our budget workshops, our board was informed by the Finance Department that the Governor had reduced certain grants to the City resulting in the $220,044 revenue cut. In the final hours, we all looked at what we could do to fill it, realizing that it would require us to start the entire process over again. With that being said, we were able to find the available funds to cover the balance in order to balance the budget, leaving a new proposed bottom line of $113,118,710 while keeping the mill rate of 21.85 mils with the additional amended changes that we have attached to the handouts you will receive.

In addition to that, we also have some recommendations you will find attached, including ways to handle uncertainties such as the one we faced, along with ideas of how to keep Shelton [inaudible]. At this time I will hand it over to our Vice Chairman Jimmy Tickey for his remarks.

Mr. Tickey stated, thank you Mr. Chairman, and thank you everyone for being here tonight. This year, the Board of Apportionment and Taxation, under the leadership of Chairman Besecheck, and in collaboration with Charlotte Madar, Judd Crawford, Wayne Bragg, John Belden and myself, worked to recommend balanced budget which addresses the needs of our City while spending carefully during these economic times. Our process began with the Mayor's recommendation, which he presented on February 22, and from that point until earlier this week the Board of Apportionment and Taxation reviewed every department, line by line, and welcome to each department to come before us so that we could fully understand their requested budget. We also reviewed the revenue side of the budget and the six year capital plan. We made ourselves available to every department, commission, and agency requesting funds from the City of Shelton, and meeting with them, learning about the work they are doing and what they hope to achieve over the coming fiscal year was a very valuable exercise. Discussing their budgets demonstrated to us their priorities, where they have succeeded, where they are looking to do more work, and how they measure that work. After all, we are in the business of helping people and we want to make sure that the City of Shelton is delivering the most effective services to the public.
Often our discussions revolved around performance measurements, effective budgeting practices, and the need to utilize technology to streamline systems and processes. When we talked with departments about their staffing, we found that in some cases staff positions are funded by the Board of Apportionment and Taxation, but these positions are often left unfilled. With this approach, we found that the department is planning a workload based on their budgeted staff, when in fact they have to constantly adjust because not all of their budgeted positions are being filled. Now, we are all about doing more with less, but when the funded position is not filled, the department is left with work that needs to be reallocated to other staff. From our conversations with several departments, this practice puts a burden on our department heads and staff. Now, of course, there will always be a rare time when a position is not able to be filled due to some extenuating circumstance but when it becomes common practice, it’s clear that there would be a better way to handle this that would be more productive.

Another item we discussed was the idea of the reserve account. This idea has been recommended by other Boards of Apportionment and Taxation right here in Shelton, but never put into practice. This year, with bipartisan support, we were able to secure the funds and allocate them to the Contingency Reserve - line 9900 - which is under the control of the Board of Aldermen. It was our intention to build a reserve account, which is a common practice in government and in business. It is important to do that, because the reserve account is there in the event of any unforeseen events - if funding from the state changes, or if we have differences in revenue than expected. For example, if there is a disaster, or as I had just said if there is a difference in funding as we anticipated from a state agency, then we would need to respond in a way that would allow us to have the wherewithal to do that.

It has been an accepted practice to overstate department budgets resulting in several significant department surpluses. Our proposed reserve account will consolidate department surpluses into one visible reserve contingency account. Then, the department budgets will begin to reflect an actual and true budget where what is requested is allocated and is used by each department. This way, we are not creating several reserves in several departments. We would have won reserve contingency account. It is a good and common budgeting practice. It allows us to have the wherewithal in the event of unforeseen circumstances and we’re proud to have bipartisan support to make this a reality.

Tonight we are recommending a budget that aims to improve the quality of life for Shelton, investing in our safety and security, improving
development and infrastructure, seizing economic opportunities, supporting our students while continuing to offer community programs for all citizens. We are proud that our six-member Board of Apportionment and Taxation has voted earlier in support of an amended version of the Mayor's budget with various changes we have made over the course of these past several weeks. This amended budget is being presented to the Board of Aldermen at $113,118,710, including the Mayor’s 21.85 mill rate. Now I will introduce Wayne Bragg, Finance Committee member of the Board of Apportionment and Taxation, who will speak to the process of setting up a reserve account.

Mr. Bragg stated, this has been a very interesting process for me. I've only been involved in this for three months. It's all rather new. I think one of the really nice things is that we approach this problem in a very open-minded way. The only thing I would really like to ask all of you tonight – Jimmy kind of started the issue of a reserve account – we really want you to think about this in a new way.

When I get thrown into any kind of the business problem, the first thing I do is I go back to look at, what have we spent, what have we been budgeted, what's going on here. So I analyzed the three years allotted reports. That was my background; this is what I did in my corporate life. When I saw that, it became very apparent the spending patterns that are going on. If you look at three years, we spent about $12 million in interest for the debt, he spent about $63 million for the Board of Education, we spent about $30 million a year on the City. Out of that came $5 million worth of reserve each year. That's pretty interesting. Then when we budgeted for 2012- 2013, the reserve and the city spending are combined into one $35 million lump. Wouldn't it be interesting if we could separate those, because then we'd have much better insight and visibility to those two things. Think of it this way, we all have families, we have homes, and we have checking accounts, and we have savings accounts. They are two separate accounts. One is to manage future expenses, unknown things, retirement, hopefully rainy day fund, things of that nature. So you protect that; that is really important to you. On the other side, you've got your checking account. That is your daily operating expenses. You pay for your utilities, you pay for your gas, you pay for your laundry, your food, things you do on a daily basis. This is exactly what's happening here. In your General Fund you've got department operating expenses. You pay for security, you pay for education, you pay for highway maintenance. All those things are daily operating expenses that we pay out of the checking account. What we would like to see is a separate account that really protects us from those unforeseen circumstances, and we had one last Thursday. We were
sitting here thinking we were going to have a pretty short meeting. Lou came down and said, I hate to tell you guys but we have a $667,000 problem on a grant. He said, I had a little bit of a rabbit in my back pocket that I was able to pull, and you can offset that by $450,000, so it's only a quarter of a million dollar hit. We said, well thanks, where are we going to get it from?

We didn't think that we had the wherewithal or the authority to go in and start reducing operating departments. You know, we can look at certain things, and that's when I think we all had a bit of an epiphany and said, here's a reason why we need a reserve, and it should be under the Aldermen's control. Let's work towards doing that. We talked about it, and we didn't all necessarily agree on every point, but I think in concept we felt that this was a very, very important practice. And again, using the analogy of the savings account versus a checking account I think is a very apt one. You've got to have something to protect you from risk, and you got to have something to control your daily operating expenses. That's what we want to do.

The approach that we thought of, we looked at this, we really don't have to change anything in the General Fund. The operating expenses can be budgeted as normal, you just take the expenses that you would have stuck in with the operating expenses and you put those into an account 9900 – a contingency account. It's no change to the total General Fund; it's no change to the revenues. It's no change to the expenses. All you're doing is separating and isolating that one particular line item 9900 so you can have a very clear view of the reserve.

Here's how you can do it. My whole background is budget. I spent 20 years in corporate finance and I helped set up the budget system at Sikorsky Aircraft. Budgets have to be very assumption based; this is what we call good management control. When you overstate the budget, it's a very common practice. In corporate life it happens all the time. It's called budgets slack - there's a term for it. I teach management accounting - the term is there. What you're doing is overstating expenses so that you know your performance is going to look good, but you try to control that.

What we do in good budgeting practices is we create assumptions. What is the budget going to be based upon? Let me give you an example. One of the departments that we saw that was very obvious was the Police Department. The actual head count was 50; the budgeted headcount was 62. When I asked the Chief, I said how many can you get to this year? He said, maybe 53 because we have to wait for positions to open up in the Academy, we've got to run through training, and get them on staff. So
you sit down with the Chief and you come up with a plan. You say, your at 50, where do you think you're going to be in 2013? He says, well, we do three positions this year, we do three positions next year, we can be at 56. So you budget for the 56. You take the monies that were left over from that and you move into the reserve account, because right now the budget is at 62. I, quite frankly, don't see a way that they could get to 62. So why put it in the budget? To me, it's like again, another kind of home analogy. If I say to my wife, you've got $100 a week operating budget for groceries, and I give you $100 and say go get the groceries and I say, "oh, on your way out make sure you bring back $50", she's not going to be very happy about that - it just doesn't make sense. I personally saw, I have a lot of experience working with department managers, security at Sikorsky, maintenance at Sikorsky, same exact types of operations. I saw a lot of frustration on the basis of these folks when they came in with their budgets, a lot of frustration. I think a lot of it is because we're giving them a budget, and we're taking part of it back. That, to me, doesn't make any sense. I think we have to change that process.

I think some of this could be done as this cycles through you over the next few weeks. If you need our help we would be more than willing to sit down and help. I will do whatever I can do to participate in that. I just think that this is a change that is really, really necessary to give us all better control. It will give the department managers better control, they'll manage their own destinies. We heard that phrase several times. We want to manage our own destinies. We heard it frequently. I think this would allow them to do that. We also have the reserve account, we all, the Board of Apportionment and Taxation, the Board of Aldermen, will be protected when we have these unforeseen circumstances-when Lou comes down to tell us, "hey, you lost the grant."

Again, kind of in closing, we tried to look at this through a business lens and not a partisan lens. I think what we agreed upon makes a lot of sense. I am really asking you just to think about this and consider it. Change is difficult. This is something that's very important to the city, very important to the department managers, and I think very important to us in these economic times to have structure where we can manage risk. Checking account, savings account. That's what we're asking for. If there's anything we can do to help, let us know. Thank you very much for your time, I appreciate it.

Chairman Bessecheck stated, Judd would like to give us one final comment.
Mr. Crawford stated, good evening gentlemen of the Board of Aldermen, members of the press, I would like to thank each member of the Board of Apportionment and Taxation, Charlotte Madar, John Belden Jr., Chris Besecheck, Wayne Bragg, Jimmy Tickey, Republican and Democrat alike. Each contributed extensively to improving this budget. Indeed one of the most impressive things about this group is that each and every member is actively involved in shaping the budget. Our City Charter sets up the budget process as an interactive one. At each stage, from department request to the Mayor's proposal, to our adjustments, to final passage by the Aldermen, we are able to create a more refined more accountable budget. Now, as the Board of Apportionment and Taxation passes the budget onto the Board of Aldermen, we call on them to pass this budget in the same bipartisan manner. While there will no doubt be further refinements and improvements in the budget, I hope all of the Aldermen will approach this budget with good faith and work together to do what is best for the City of Shelton. Thank you Mr. Chairman.

Mr. Besecheck stated, at this time, we do not have the printout of the expense because there was a typo in the run so I moved the accounts wrong. We caught it, we corrected it, so you should have it first thing in the morning from Lou.

Aldermen Anglace stated, we understand, it's no problem.

Mr. Tickey MOVED to adjourn; SECONDED by Alderman Mrs. Madar. A voice vote was taken and the MOTION PASSED 6-0.

Respectfully submitted,

Patricia M. Bruder, Temporary Clerk