

Board of Finance 6-24-13 Minutes
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BOARD OF FINANCE
REGULAR MEETING MINUTES
JUNE 24, 2013

I. CALL TO ORDER

The meeting was called to order at 7:07 p.m. at the Avon Town Hall by Chairman Thomas Harrison. Members present: Chairman Thomas Harrison, Vice Chairman/Secretary Thomas Gugliotti, Margaret Bratton, Catherine Durdan, Dean Hamilton, James Speich and Brian Stoll. A quorum was present.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Vice Chairman/Secretary Thomas Gugliotti.

III. COMMUNICATION FROM THE AUDIENCE

Mr. Stokesbury, liaison for the Board of Education, introduced attending members of the Board of Education; Chairman Peggy Roell, Superintendent Gary Mala, and Assistant Superintendent of Finance and Operations John Spang. He reiterated from last meeting there is a new Avon High School principal, Chris Tranberg. He stated that the BOE now has a new Director of Pupil Services, and they are pending new Principals at Pine Grove School and Thompson Brook School. Graduation is on Thursday. For members of the Board of Finance who will be attending, there will be reserved parking available. Upon arrival at 4:45pm members should report to the orchestra room. Valedictorian this year is Matt Howard is the son of Wendy Howard, a board member. He congratulated her for fine parenting.

Roaring Brook School fire alarm has continued to be sensitive; there have been a number of false alarms. Staff is currently looking into the issue. The BOE has just adopted the calendar for school year 14/15. It has changed in that there is one vacation week in March instead of one week in February and April. This move is permitted by a change in the state law in regard to standardized testing which allows for a flexible window of testing. This should allow school to end a full two weeks ahead of where we are ending this year. Mr. Gugliotti asked if there was any issue with the union contract in regards to this change. Mr. Stokesbury replied there is not.

Mr. Stokesbury reported that the BOE has been notified that they have an excess cost reimbursement (ECR) of \$938,000 from the State which is \$231,000 over the expected reimbursement due to increased special education expenditures during the year. This money flows to the town because the BOE has not exceeded their budget. The ECR from the State is different than the Education Cost Sharing (ECS) money that is talked about which is based on our student population and perceived wealth of the town. We have \$392,000 of new contracted out of district placement expenses that were not in our recently approved budget we need to address. These placements are done by the individual students placement team (PPT) and not subject to change by the administration.

Mr. Gugliotti asked how many students does the \$938,000 represent? Mr. Stokesbury replied in our 12/13 budget we budgeted receiving back from the state \$707,000. Our actual experience was greater so the State reimbursement to the BOE is higher by \$231,000. The BOE covered the additional expenses through the current year operating budget, therefore this money will flow to the town. This represents 7 students (6 qualified which mean they exceed 4.5 times the average student expenditure), the State reimburses the town 65% of the excess cost.

Ms. Bratton asked if the unexpected revenue is accounted for in the same account as the unexpected expenses. Mr. Stokesbury explained if it occurred in the same fiscal year it would be, however since it has occurred in 2 separate fiscal years it does not. His question is what does the Town decide to do with the \$231,000 which will be addressed later in the agenda.

Mr. Harrison reminded everyone that tomorrow is Roaring Brook School's 50th Anniversary. He also

thanked Peggy Roell & Gary Mala for coming up with the idea of the BOE liaison, which is very helpful to the Board.

IV. MINUTES OF PRECEDING MEETING:

May 15, 2013 Special Meeting

There were no changes

On a motion made by Mr. Speich, seconded by Mr. Gugliotti, it was voted:

RESOLVED: That the Board of Finance approve the minutes of the May 15, 2013 Special Meeting as amended.

Messrs: Harrison, Gugliotti, Hamilton, Speich, Stoll and Mmes: Bratton and Durdan voted in favor.

V. OLD BUSINESS - No items were presented.

VI. NEW BUSINESS

12/13-16 Approve Suspense list, \$17,170.05

Deborah Fioretti, Collector of Revenue, presented a proposed suspense list for the Board of Finance approval. This list is prepared in accordance with Connecticut State Statute Sec. 12-165, listing those taxes that the Collector of Revenue believes to be uncollectable for the reasons noted. The total amount to be suspended is \$17,170.05. The breakdown is listed in the handout. The suspended items except for bankruptcy or court decisions remain collectible for 15 years if the town can ultimately locate the taxpayer. The approval of the suspense list provides a more realistic balance of the collectible assets of the town. Ms. Fioretti stated that we do collect some of these monies, this year was about \$2,000 from past suspense lists. These monies are from the personal property list and not the real estate list. In response to a question from Mr. Harrison, Ms. Fioretti stated that the total amount does not raise any alarms and is within the norm. Mr. Robertson added that the total amount on the suspense list for all 15 years is about \$400,000.

Mr. Gugliotti asked if there is a market for purchase of these types of tax obligations. Mr. Robertson and Ms. Fioretti stated there is not because it is personal property and not real estate based obligations. Ms. Durdan asked about the Dakota restaurant. Ms. Fioretti stated that the restaurant is in bankruptcy, but they have paid all their taxes.

On a motion made by Ms. Bratton, seconded by Mr. Hamilton, it was voted:

RESOLVED: That the Board of Finance approve the Suspense list as presented.

Messrs: Harrison, Gugliotti, Hamilton, Speich, Stoll and Mmes: Bratton and Durdan voted in favor.

VII. TOWN MANAGER'S REPORT

A. Monthly financial Report Summary

Peggy Colligan was absent and the monthly financial report for the period ending 4/30/13 was presented by Mr. Robertson. In the major revenue categories under Property Tax & Assessments Mr. Robertson highlighted a difference between appropriation and the collected through 4/30/13 numbers. He did not know why the collected through 4/30/13 number was higher than the appropriation. There was nothing out of the ordinary in this category. Under Licenses, Fees & Permits this has exceeded our expectation due to a very busy year in development. There are two permit fees that have bumped this number up from CREC and Orafol (Reflexite). There have been 42 new single family home permits. We haven't seen numbers like that since 2005/2006 where we had 88 for the year. Last year there were 20 permits.

Mr. Gugliotti stated that he has heard of a State ruling where a municipality can tax a partially completed structure. Mr. Robertson replied that that is correct.

Intergovernmental, grants from the State, are as expected. Charges for Services are fees the town charges. We have currently collected 64% of projected. Mr. Stoll asked where do we expect to end up at the end of the fiscal year. Mr. Robertson stated that it is difficult to say, a lot will depend on recreation. He believes that is unlikely that we will catch up but it will be closer. Other Local revenues are one time revenues. This will be below budget. In terms of appropriations, Transfers from Reserves has been minimal. Unassigned Fund Balance is at 8.59% which is still short of the 10% goal, but higher

than previous years. Mr. Stoll asked what percentage of towns in the state hit that 10% goal. Mr. Robertson stated that Cheshire comes to mind that is at 15%. He added that for a AAA rated town with a policy of 10% to show 8.59% will always raise some questions with the rating agencies. In our agency review in September 2012 we spent a fair amount of time talking about it. Mr. Harrison asked if Mr. Robertson knew how many towns have a policy. Mr. Robertson replied that he couldn't say that all of them do, but that most of the AAA's have a policy in regards to unassigned fund balance. Mr. Gugliotti added that when this policy was adopted there was a conversation that the town wanted the agencies to know that we aspired to a 10% level. There are no major variances in the General Fund. Utility accounts associated with the library are running high and are being monitored. The janitorial contract exceeded budget due to a contractor change and should be covered by favorable bid results in other Public Works areas. Public Safety is experiencing over expenditures in Patrol Services Temporary Full Time and Overtime. This is due to vacancies in full time staffing, storm activity and additional demand for security at schools. Finance has met with the Chief and the plan is to cover over expenditures with transfers within Public Safety from other accounts and divisions.

B. Board of Education Request for Establishment of Reserve Fund (Report Only)

Mr. Harrison reminded the audience that we will not vote on anything this evening. The Board has asked Mr. Robertson for a report, as is normal practice, and the issue will be addressed at a future meeting.

Mr. Mala submitted a memo to Mr. Robertson on May 23, 2013, which conveyed a request by the Board of Education to establish a reserve account pursuant to CGS 10-248a. This statute allows a Board of Finance to establish an account that can accept up to 1% of the proceeds of a prior year BOE gross budget (not including special revenue funds) that are unexpended. The statute does not restrict the uses of this money. The appropriation process and any policy, procedure or guideline around that money would be approved by the Board of Finance.

As mentioned at the start of this meeting Mr. Mala has indicated that there is an issue going into fiscal year 2014 with unbudgeted unanticipated special education costs of approximately \$392,000. This has not been discussed much in the past primarily because the Excess Cost Grant as opposed to the Educational Cost Sharing Grant had been deposited into the revolving account which no longer exists. This is now one of the revenues that we budget for in the General Fund and there is some amount of volatility associated with that. The state reimbursement in excess of the budgeted amount, the \$231,000 Bill mentioned earlier, is sitting in the General Fund and not in the school budget. To get that money out will require a supplemental appropriation for an assignment to fund balance from the Boards in order to use them. For the Fiscal Year 13, there appears to be an un-audited balance in the BOE operating budget of about \$496,000. Mr. Stoll asked if the \$392,000 was gross or net of state reimbursement. Mr. Spang stated that it was net. Mr. Robertson stated that going into fiscal year 2014 the idea would be to go ahead and encumber the anticipated gap for fiscal year 2014 and that would eliminate most of the excess from the unexpended BOE budget for fiscal year 2013, the auditors have stated that this is appropriate. This is not designed to address the \$231,000 from special education reimbursement, but it does take monies from FY 2013 and put them toward expenses that will come due in FY 2014.

Mr. Gugliotti stated there are two different topics being discussed with different agendas. One is cover an expense next year with savings from this year. A second agenda is a new law allows 1% of a stated BOE budget surplus to be put into a rainy day fund instead of the Town's Unassigned Fund Balance account and will the BOF allow this to be set up Mr. Gugliotti acknowledges that Mr. Mala's memo offers to have this account set up with policies that would restrict the use of this \$231,000 to special education needs and transportation expenses as well as established fund supplemental appropriation procedures. In the future if similar monies are received there would be no restrictions on its' use but would still require approval of a supplemental appropriation request from the Boards. This oversight is more than is required by state statute. Instead of moving monies from the Town Unassigned Fund

Balance Account it would be appropriated from the new BOE Balance Account.

Mr. Harrison stated that the Town Attorney looked at this and said if the Board creates such a mechanism it does have some discretion to structure how you get into it to take money out. Mr. Mala added that there is a communication from the town's legal council on this dated August, 2012.

Mr. Gugliotti stated he is not second guessing council, but the BOF is restricted in its' ability to tell the BOE what it can do with its' money. The BOF can only set aside funds to be used for the BOE (approve or disapprove a total dollar budget). In the proposal being discussed, the BOE is offering greater controls than the BOF currently has and he is not sure if this will hold up.

Ms. Roell stated that she felt it would be similar to coming in for a supplemental appropriation where the BOE currently states the intended use of funds. She felt the only difference would be that there is a specific fund set up for the appropriation requests.

Mr. Stoll pointed out that the account only exists if the BOE comes in under their budget. Second, the amount we would be talking about for this year is not the \$231,000 but the \$469,000. Ms. Roell stated that the two pieces are being handled separately because combined they exceed the 1% of budget allowed by the statute. Mr. Harrison added that in each year that there is a surplus, the BOF would have to approve the transfer of funds into the account. Mr. Speich stated that the current process is that all surplus budget monies go into the General Fund and if you exceed your budget you come before the Boards with an appropriation request for funds from the General Fund. He asked what is the difference between the current process and this new proposal? Most members agreed there wasn't much difference in procedure. Mr. Gugliotti pointed out the difference of moving monies from the Unassigned Fund Balance Account or another designated account could be significant. Mr. Harrison asked if this was the only way to set up such an account or could the BOF authorize setting up an Assigned Fund Balance. Mr. Robertson stated that the same tools that are used on the Town side could be applied to the BOE surplus. This is done through EOY transfers to Assigned Fund Balance or Unassigned Fund Balance accounts. Mr. Stoll added he thought comparing the Town sub budgets to the BOE budget was like apples and oranges. He thought the discussion made more sense on a macro level (Town and BOE) than a micro level (each department within the town). Ms. Bratton stated that the budget surplus if left in the Town, funds could be used for the Town or BOE, whereas if this separate fund is set up surplus from a BOE budget could only be used by the BOE. Mr. Gugliotti asked if the BOE surplus is moved into a separate fund would it count toward the Town's goal of a 10% reserve. Mr. Harrison stated that it would not, only monies in Unassigned Fund Balance count toward the reserve. Mr. Harrison asked if there was any advantage to going the encumbrance route to give some level of comfort to the BOE that anticipated expenses would be covered prior to any formal decisions by this board. Mr. Robertson said if this route was chosen, the BOE would not need further approval for expenditures, they would be subject to EOY auditing and documentation. Under this scenario, these funds would not affect the reserve balance. In response to a question by Ms. Durdan, Mr. Robertson stated that an encumbered account could be liquidated and the funds moved into the Reserve funds. In response to a question by Mr. Stoll, Ms. Roell clarified that the \$231,000 grant money is not accounted for in the BOE budget because they can not spend it until the Town says they can, and that approval has not yet been given. This money was not anticipated when the 2013 budget was created and passed. There was further discussion of assurances desired by the BOE in order to move forward into the next fiscal year. The BOF stated that short of a vote tonight that regardless of the mechanism eventually chosen, they would not allow the BOE to run at a deficit. The BOF would make sure that the necessary funds were made available.

C. Miscellaneous Updates

Mr. Robertson stated that the Legislature has finished their work for the year, and we are ahead of the game by 3.7% across all categories which is about an \$72,000 increase. The car tax is off the table for this year, but it is still active.

VIII. OTHER BUSINESS

Mr. Gugliotti asked who was responsible for the new name tags that were provided this evening. Mr. Robertson stated that they were a gift from the Board of Education.

IX. EXECUTIVE SESSION

There was none

X. ADJOURN

On a motion made by Mr. Gugliotti, seconded by Mr. Stoll, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 8:48 p.m.

Messrs: Harrison, Stoll, Gugliotti, Speich, Hamilton and Mmes: Durdan and Bratton voted in favor.

Respectfully Submitted,

Thomas A. Gugliotti, Secretary

Attest: Mary Marinello, Clerk