

**BOARD OF FINANCE
MEETING MINUTES
March 27, 2023**

I. CALL TO ORDER

The hybrid meeting was opened at 7:02 p.m. in person and by GoTo Meeting by Cathy Salchert, Chair, present: Margaret Bratton, Carl Gisnarian, Houston Putnam Lowry (joined at 7:08), Brian Loveless, Ellen Retelle and Cathy Salchert. A quorum was present.

II. MINUTES OF PRECEDING MEETINGS:

February 27, 2023, Meeting –

On a motion made by Ellen Retelle seconded by Brian Loveless it was voted:

RESOLVED: That the Board of Finance approves the minutes of the February 7, 2023, meeting as drafted.

Bratton, Gisnarian, Loveless, Retelle and Salchert voted in favor.

Motion carried 5-0-0.

III. TOWN MANAGERS REPORT/MISC.

A. Monthly Financial Report Summary

Details of the Monthly Financial Report Summary were included in the packet report dated for the period ended 2/28/23. Tom DiStasio discussed the report. Notable items included the first round of special education excess cost funding of \$696,000 were received. The Board of Education received Special Education tuition reimbursement of \$1,100,000.

The \$750,000 appropriation for road improvements that was approved at the last meeting is included in other financing sources.

B. General Fund projected FY 2022/2023 results

This report was generated because of a request to show the projected results based on information as of February 28, 2023. The report provides the current appropriation, current activity, percentage received, and percentage spent for each budget category for revenues and expenditures. The report is based on assumptions, by reviewing historic and current trends that have been seen throughout the fiscal year. A historical review was done of the last five fiscal years apart from 2020 (which was significantly impacted by the pandemic).

IV. OLD BUSINESS

21/22-21 American Rescue Plan Act.

Town Council Updates as of February 3, 2023: www.avonct.gov/arpa

There was nothing to discuss or approve.

22/23-11 Review and Discussion: FY 23/24 Budget

The FY 23/24 budget proposed by the Town Council has been posted to the website.

The upcoming key dates are

Board of Finance Public Hearing on April 3rd at 7:00 p.m.
Board of Finance Budget Workshop on April 4th at 7:00 p.m.

with additional dates (if needed) on April 10th and/or April 12th. The Town meeting is scheduled for May 1st at 7:00 p.m. and the Budget Referendum on May 10th.

The Board Members were given a handout in which contains the answers to the questions that the Board of Finance submitted regarding the FY 23/24 recommended budget. A copy of the handout is attached to these minutes.

The Board of Finance Public Hearing will be hybrid this year and those who choose to log in virtually or call in will have the opportunity to ask questions. All virtual participants will be initially muted and it will be explained at the beginning of the meeting how they can unmute themselves should they wish to speak during public comments.

The draft of the Town of Avon Board of Finance Public Hearing presentation was discussed.

Tom DiStasio explained that on slide 13, FY 22/23 is not included because it would be a projection. Brandon Robertson explained on slide 13 that the Town Council Policy to maintain the unassigned fund balance of 10% of the general fund actual expenditures will remain at 10%. There will be discussions at Town Council meetings to regarding increasing it in the future. This is done to preserve Avon's bond rating (which Moody's rated as Aaa in 2020).

Mr. Robertson explained that the first question that should be asked by the Board of Finance Chair at the budget workshop to the Town Manager is "Do you have any non-tax revenues to add back to the budget?" The answer is expected to be yes and town staff are working diligently to determine that amount.. Adding non-tax revenues back into the budget will lower the mill rate increase. Currently Mr. Robertson is planning to recommend non-tax revenues which would result in a mill rate increase of approximately 2.25%. These numbers are begin verified.

Mr. DiStasio confirmed this is the second year with the mill rate cap on motor vehicles (currently 32.46), and the tax revenue on slide 15 for motor vehicles is based on the October 1, 2022 grand list and the capped rate.

V. NEW BUSINESS

22/23-28 Supplemental Appropriation: Avon Police Department – Distracted Driving High Visibility Enforcement Grant, \$4,285.41

On a motion made by Houston Putnam Lowry seconded by Ellen Retelle , it was voted:

RESOLVED: That the Board of Finance hereby amends the FY 22/23 Budget by increasing:

REVENUES

General Fund, Intergovernmental, Distracted Driving Enforcement, Account #01-0330-43378, in the amount of \$4,285.41 and increasing:

APPROPRIATIONS

General Fund, Patrol Services, Overtime, Account #01-2107-51015, in the amount of \$4,285.41, for reimbursement of overtime costs received through the State of Connecticut Department of Transportation Distracted Driving High Visibility Enforcement Grant.

Bratton, Gisnarian, Loveless, Lowry, Retelle and Salchert voted in favor.
Motion carried 6-0-0.

22/23-29 Long Range Financing Plan

This long-term debt forecasting analysis presentation was delivered at the last Town Council meeting. The Town evaluates debt-funding scenarios annually as part of the development of the Capital Improvement Plan. This is done to prioritize future financing needs as is required by the Town Council Policy #23 “Debt Policy”. It should be noted that the capital improvement plan is subject to change, especially in the out years, as needs, priorities, costs and assumptions evolve.

The Town is now on a downward slope regarding its outstanding debt obligations. The costs of issuing a bond are fairly high and does not vary with the amount of the bond (which makes smaller bond issuances more expensive). The presentation was prepared to illustrate this trajectory and to identify some potential projects that would require the issuance of debt. The data is based on projections and only two of the five projects depicted are approved (the Town & Public Safety Communication System and the Fire Apparatus Purchases). The projections do not include funding for roads or open space.

VI. ADJOURN

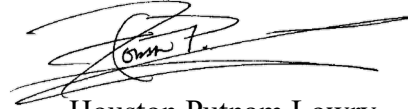
On a motion made by Ellen Retelle, seconded by Houston Putnam Lowry, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 8:06 p.m.

Bratton, Gisnarian, Loveless, Lowry, Retelle and Salchert voted in favor.
Motion carried 6-0-0.

Minutes are official only after approval by the Board of Finance, usually at its next meeting.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Houston Putnam Lowry", written over a horizontal line.

Houston Putnam Lowry,
Secretary

Attest: Christine Pescatore, Clerk

All referenced material is available to the public in the Town Manager's Office.

BOARD OF FINANCE
QUESTIONS REGARDING
FY 2023/2024 RECOMMENDED BUDGET
March 27, 2023

The public hearing for the proposed FY 24 budget as proposed by the Town Council is scheduled for April 3rd. The budget as presented would require a 3.21% increase to the mill rate. This proposed budget is based on non-tax revenue estimates as of the end of calendar year 2022.

The normal sequence of events at the Board of Finance budget workshop is for the Chair of the Board to ask the Town Manager if there are any recommended revenue adjustments the Board should take into consideration before proceeding. This is important because increases in non-tax revenue line items will reduce the mill rate absent expenditure increases. Please be advised that I will be recommending revenue adjustments to the proposed budget in the amount of approximately \$801,052 that will result in a decrease to the required mill rate to 2.25%.

PERSONNEL RELATED QUESTIONS:

Q1: Personnel cost is the largest part of the Town Budget. What is the \$ amount and percentage of the total 2023-2024 Total Town Budget (Town and BOE) represented by the following personnel costs:

Both the Town and Board of Education are service organizations. As such, costs related to personnel represent the largest percentage of expenditures. Page C. 3 of the budget document provides some context when compared to other elements of the operating budget such as Services & Supplies and Capital Outlay. A detailed explanation of Personnel Services items can be found beginning on page C.3 of the budget document.

a. Salaries & Wages		
Town Salaries & Wages	\$ 12,839,817	Page C. 6
BOE Salaries & Wages	\$ 42,180,291	Page C.10
Total Wages	\$ 55,020,108	49.97% of total budget
b. Healthcare Costs		
Town Healthcare Costs	\$ 2,255,188	Page C. 6
BOE Healthcare Costs	\$ 7,792,923	Per BOE
Total Healthcare Costs	\$ 10,048,111	9.13% of total budget
c. Retirement Benefits		
Town Defined Benefit Plan	\$ 3,837,869	Page C. 6, ADC
Town Defined Contribution Plan	\$ 926,874	Page C. 6
BOE Defined Benefit Plan	\$ 676,227	Per BOE, ADC
BOE Defined Contribution Plan	\$ 259,687	Per BOE
Total Retirement Benefits	\$ 5,700,657	5.18% of total budget
d. Post-Retirement Healthcare Costs		
Town Retiree Health Costs	\$ 1,871,000	Page C. 6
BOE Retiree Health Costs	\$ 743,750	Per BOE
Total Retiree Health Costs	\$ 2,614,750	2.37% of total budget
e. Taxes		

Town FICA Costs	\$ 923,125	Page C.6
BOE FICA Costs	\$ 1,078,664	Per BOE
Total Retiree Health Costs	\$ 2,001,789	1.82% of total budget
f. Other		
Town Other Benefits Costs	\$ 25,240	Page C.6
BOE Other Benefits Costs	\$ 524,979	Per BOE
Total Other Benefits Costs	\$ 550,219	0.50% of total budget
TOTAL		
Town Total Wages & Benefits	\$22,679,113	Page C.6
BOE Total Wages & Benefits	\$53,256,521	Page C.10
Total Wages & Benefits	\$75,935,634	68.97% of total budget

Q2: Apart from personnel cost for current employees, there are costs for former employees' retirement and healthcare benefits in addition to the amounts above. What is the \$ amount and percentage of each of these costs in the Total Town Budget?

Please refer to the table and related explanation on page C. 6 of the budget document. There are no additional costs for retiree pension and healthcare benefits in the Town's budget beyond those identified above. Additional detailed information regarding post-employment benefits can be found by referring to the Fiduciary Fund Tab of the budget document and beginning on p. 57 of the ACFR.

Q3: As a point of clarification as it relates to current employees, what post-retirement benefits (to be funded by the Town in future years) are being earned by current Town employees and to how many current employees does this apply?

As of this writing, there are thirty-four active Town employees that are eligible to receive future retiree medical benefits. There are three active Town employees that are on the defined benefit pension plan. The defined pension benefit plan was closed to new entrants in 1997. Since that time, new eligible employees have been provided with retirement benefits through a defined contribution plan.

The purpose of funding the Actuarially Determined Contribution (ADC) for pension and OPEB benefits is to pre-fund benefits to the extent possible. Appropriations for these future benefits are transferred to Funds 18 and 19. These resources are invested and held "in trust" for the employee/retiree and beneficiaries. The Pension Committee, assisted by an outside advisor, manages these investments.

It is important to note that based on the current actuarial projection, the Town's obligation to the defined benefit pension plan will be fully funded in FY 28. Subject to future discussion and approval, the preliminary plan beginning in FY 29 will be to appropriate funding that is no longer needed for the defined benefit pension plan to the Town's OPEB liability thereby significantly reducing the unfunded liability.

Q4: Increases in personnel costs are governed by collective bargaining agreements and decisions of Town management for non-union employees. What were the \$ increases in salaries and wages for each of these two categories of Town employees? What was the average percentages for these two categories of Town employees.

The majority of Town and BOE employees are unionized. The CT General Statutes provides the legal framework that governs the bargaining and arbitration process for these agreements. Both the Town and BOE must negotiate within this framework. Keep in mind that, ultimately, the arbitration process is based on the ability, not the willingness, of the community to pay.

The general wage increase recommended for unaffiliated Town employees is 2.75% for a total cost of \$67,650. The general wage increases for public safety employees (including police, dispatch and some non-union police department employees) is 2.75% at a cost of \$115,600. The public works contract expires on June 30th. The general wage increase for this unit is unknown at this time. Additional detail can be found on page C. 3.

The Town's philosophy has been to treat its unaffiliated employees with the dignity and respect that they deserve as experts in their fields. This group includes department and division heads and our excellent and dedicated support staff. The majority of these positions could unionize. In our opinion, that would not be good for the employee, the taxpayer or the organization.

Q5: Health insurance provided for Town personnel is largely a self-insured program and the Town's self-insured claim payments were higher than budgeted in fiscal year 2021-2022.

The Town and BOE are self-insured for medical claims. Appropriations for medical insurance are transferred to the Internal Services Fund. Additional detail can be found in Tab Q of the budget document.

a. How much were total self-insured claim payments in 2021-2022 and how much did it exceed budget?

The Town works closely with Lockton, our third-party consultant, to manage the medical insurance program. FY 22 self-insured claims totaled \$10,828,021 (see ACFR p. 27). Expenditures exceeded the operating revenues of the Medical Claims Internal Services Fund by \$1,167,046, which was partially offset by a \$750,000 transfer into the fund at Year End. The proposed FY 24 budget includes the appropriation of an additional \$750,000 assignment placed on fund balance as approved by the Town Council and Board of Finance for the Self-Insurance Fund.

According to Lockton, many of their clients experienced much higher than anticipated claims experience in FY 22. This was caused by a number of factors including higher than anticipated utilization of health services by participants due to the easing of the COVID pandemic. It was not possible to anticipate this level of utilization. This is exactly the type of situation that proves the importance of building an appropriate level of flexibility into the fiscal plan. Without the positive revenue and expenditure variance at the end of the year, management would have been left with far less desirable options to ensure adequate resources to meet the claims activity.

b. How much were total self-insured claim payments estimated in the budget for 2022-2023?

The Town budgeted \$9,932,442 for self-insurance expenditures for FY 23. \$2,307,665 of this amount pertained to Town Employee and Employer contributions, and \$7,624,777 of this amount pertained to BOE Employee and Employer contributions.

c. What is the total of self-insured claim payments for the first eight months of the current year compared to the prior year?

Self-Insurance Fund expenditures are \$834,662 higher through the first eight months of fiscal year 2022-2023 when compared with the first eight months of fiscal year 2021-2022. We continue to monitor these expenditures closely. This trend is further evidence of the need to appropriate the \$750,000 assignment to the self-insurance fund.

d. What is the 23-24 budgeted cost for excess loss coverage?

We assume this refers to “Stop Loss” coverage. Stop loss coverage is in place to provide coverage for claims that exceed \$175,000 on an annual basis. The premium for this coverage in the FY 24 budget is \$1,489,705. Significant analysis goes into selecting the carrier and setting the appropriate threshold for the coverage.

CAPITAL EXPENDITURES RELATED QUESTIONS:

Q6: The total amount of capital expenditures in the proposed budget is \$4,559,906 million. How much of this proposed budget amount is based on internally developed estimates as it is too early to be based on third party bids or estimates?

That is the correct amount and is detailed in Tab R of the budget document. Please note that this amount is offset by appropriations from funds 5, 8 and 11. As such, not all of capital budget is supported by the general fund.

In March of 2022, a memo was provided to the Board of Finance entitled “Project Development Process Overview.” This memo provides a detailed explanation of the various methods used to estimate capital projects.

The appropriations are based on estimates that are the result of discussions with vendors or other outside professionals and are not based on a formal procurement process as no appropriation is in place. Once the budget is in place, project managers will implement a formal procurement process that is appropriate for the project and in accordance with the Town’s procurement policy.

Note that estimating costs for these projects is not an exact science. Consider the timeline: estimates are often developed by the end of December for a project that may very well not go out to bid until a year later. A lot can happen in that time, and we have to build some appropriate amount of contingency into the cost to ensure adequate funding. If we overestimate contingency, we tie up funding that could be used for other projects and will receive questions about large project variances. Underestimate the contingency, and we may not have adequate funding to complete the project which leads to its own set of challenges.

Q7: How much in previously approved capital expenditures (included in both annual budgeted amounts and supplemental authorizations) is unexpended as of December 31, 2022? Delineation by the fiscal year approved would be helpful. (Combining of years prior to 2017-2018 is acceptable.)

Capital appropriations are accounted for in Fund 2. A list of open appropriations can be found in the ACFR beginning on p. 140. Capital appropriations do not lapse until management actively recommends closing the appropriations.

Prior to FY 2018	\$2,831,793*
FY 2017-2018	\$ 201,302
FY 2018-2019	\$4,582,440**

FY 2019-2020	\$ 600,321
FY 2020-2021	\$ 273,601
FY 2021-2022	\$1,489,922
FY 2022-2023	\$2,230,025
*Primarily Sewer Projects – Fund 5 **Includes \$3.61 million for Public Safety Communications System Project	

Q8: For previously approved capital projects completed in fiscal 2021-2022 and during the first six months of 2022-2023, what was the \$ amount that exceeded the authorized expenditures (presumably none) and the \$ amount that was less than the authorized amount?

As you would expect, no capital project expenditure exceeded the appropriated amount. There were eleven projects completed in fiscal year 2021-2022 that had remaining balances. The cumulative amounts that were appropriated, but unspent, for these projects totaled \$37,766.

These amounts were transferred to the General Fund Unassigned Fund Balance as part of the FY 22 year-end closing process as approved by the Town Council and Board of Finance. Please refer to items 10 and 11 in Tab D of your Final Fiscal Year Transactions Booklet for fiscal year 2021-2022 for the detail.

Q9: In relation to Q8, what \$ amount remains in the capital expenditure accounts for completed capital projects as of December 31, 2022?

The authorized amounts budgeted in capital expenditure accounts, as identified in question 8, do not pertain to completed projects as of December 31, 2022. In some instances, the bulk of the project is completed, however ongoing costs can still be incurred on the back end of the project and the project account will be held open to allow for these costs to be covered until any residual is closed to fund balance.

Additionally, many of the Town's capital projects are completed in sequential phases. As a result, in some instances authorized amounts remaining after the completion of a particular phase of a project are held in the project account to be used for the next phase.

It is also important to note that certain capital projects cannot be funded in just one or two budget years because of their magnitude. As a result, capital project accounts may remain open for several years to allow for an adequate balance to be built. Again, capital project appropriations do not lapse on a fiscal year basis and this provides a useful level of flexibility for planning.

Q10: Are there amounts previously authorized but not expended that may be available for consideration by Town management to be used on other projects?

The Town's standard operating procedure is to periodically request that project managers review capital project balances and provide a status report. If a specific project is completed and no residual costs remain, management will make a recommendation to the Town Council, subject to review and approval by the Board of Finance, regarding the disposition of the remaining funds. Generally, but not always, any residual is closed to general fund balance. Sometimes, residual

funds are reappropriated for a “like” project with the approval of the Town Council and Board of Finance.

NON-TAX REVENUE RELATED QUESTIONS:

Q11: What categories of revenues received by the Town of Avon for the budget year 2021-2022 that are budgeted for 2023-2024 at lower amounts?

Please refer to the Combined Revenue Detail in Tab B of the fiscal year 2023-2024 budget document, pages B.15 and B.16. These pages indicate that General Fund revenues in the Licenses, Fees and Permits, Intergovernmental Grants, and Other Local Revenues categories have been budgeted for 2023-2024 at lower amounts than the amounts received in 2021-2022.

Actual revenues received are dependent on any number of factors. As an example, actual revenues received in fiscal year 2021-2022 were impacted by economic conditions arising from the pandemic.

Q12: What categories of revenues received to date by the Town of Avon for the budget year 22-23 that are budgeted for 23-24 at lower amounts?

As of 2/28/2023, the most recently completed month to date, Other Local Revenues is the only category of General Fund revenues in which revenues received by the Town during fiscal year 2022-2023 exceed the amount budgeted for fiscal year 2023-2024.

As discussed at previous Board of Finance meetings, this is being driven by investment income returns in excess of the budgeted amount.

Q13: How much additional estimated revenue would these categories total if reflected in the proposed budget at the same amounts as received in 2021-2022 or, in the case of 22-23, received to date?

If we were to utilize the amounts received in the General Fund revenue categories identified in question 11 in fiscal year 2021-2022 rather than amounts reflected in the proposed budget for fiscal year 2023-2024, it would result in additional revenue of \$1,528,519. For context, keep in mind this is less than 1.5% of the adopted budget.

If we were to utilize the amounts received to date in the General Fund revenue category identified in question 12 in fiscal year 2022-2023 rather than the amounts reflected in the proposed budget for fiscal year 2023-2024, it would result in additional revenue of \$578,341.

Q14: What cautionary guidance would Town management suggest the BOF members keep in mind when evaluating these revenue sources?

Estimating revenues needs to be done with great care. Management clearly articulates the assumptions made when recommending revenue estimates as detailed in Tab B. The Town’s philosophy has been to avoid the peaks and valleys in the mill rate that can result from overly optimistic revenue projections. This is a key consideration and ensures consistency for the taxpayer. Please consider the following:

Context:

- Every fiscal year is a chapter in a novel. There is significant cause and effect through the past and into the future. All of the revenue sources referenced in questions 11 through 13 are difficult to predict and are subject to external factors outside of the Town's control.
- When revenues in these categories are received in excess of the amount estimated in any particular budget year, it is typically the result of overarching economic condition(s). For example, the housing market was booming throughout much of fiscal year 2021-2022, which drove recording & conveyance revenues higher than expected. These positive variances can then be used to put the Town in the best position for the next fiscal year.
- It is important to consider this context when budgeting for future years because the conditions that led to prior year results are likely to change in the future.

Flexibility:

- Consider the planning horizon. As an example, the formal planning process for the FY 24 budget began in September of 2022. The process continues through the Spring of 2023 at which point a budget is adopted that must meet the needs of the community through June of 2024. This entire process (from the beginning of budget development to the end of the fiscal year) takes over a year and a half. At best, an adopted budget is a revenue and expenditure forecast. As with any business, you have to build in some flexibility to deal with the unforeseeable. If the flexibility is not needed, it provides the Town the ability to lean into the next fiscal year with more tools available.
- Consider all of the variables, both in terms of revenues and expenditures, that the Town is faced with during this period. These include but are not limited to actions of the General Assembly that result in additional cost or the loss of revenue, unanticipated repairs to equipment or infrastructure, unanticipated increases in operating costs, weather events ranging from snow to hurricanes, much higher than expected medical claims and unexpected opportunities such as land coming on the market. The Town's budget is subject to an endless list of pressures and possibilities.
- It is critical that the Town retain some appropriate level of flexibility as a hedge against the unknown. Appropriately conservative non-tax levy projections are a key way of building some flexibility into the budget.
- Consider a simple scenario: A budget is approved that "red lines" all non-tax revenue line items by using the most optimistic projections possible. What if there is a very severe winter that requires a significant over expenditure in the Roadways budget to pay for overtime? What if we did not have positive revenue/expenditure results at the end of FY 22 and still had to manage the impact of higher than anticipated medical claims? What options are available to management?
 - Make an emergency appropriation from fund balance to cover the over expenditure?

- Initiate a spending freeze across the organization to try to make up the difference?
- Increase the following year's budget to appropriate funding to reinforce the self the insurance fund?
- Consider a supplemental tax bill?

Wouldn't it be best to have some flexibility available at the end of the year to cover the deficit?

- Here is a current cautionary example. It is always possible, and has happened before, that the General Assembly does not complete the session before the Town has to adopt a budget. There is currently a bill working its way through the State legislature that could result in a change to the formula used to calculate a Town's Education Cost Sharing grant. We are less than two months away from our budget referendum and this bill could have an impact on one of our non-tax levy sources. We recommend using the less optimistic revenue projection in the event that the legislation passes. If the legislation does not pass we will have additional revenue in that line item. Again, that revenue gives the Town options to prepare for the future.

Importance of Consistency:

- As established under "Context" above, non-tax levy revenues are likely to fluctuate on a year-to-year basis as a result of external factors that the Town cannot control.
- Discussions regarding the Town's annual budget often center around the percentage that the mill rate is changing from one year to the next. This is the bottom line that drives the property tax bills that will go out to Town residents.
- If the Town "red-lines" revenue estimates it would undoubtedly drive down the mill rate required in that given year. But what happens the following year?
- When the Town is building a budget for a new fiscal year and must reduce its reliance on non-tax levy revenues because of State budget cuts or other economic factors, where is the money to fund the budget going to come from?
 - We could use Unassigned General Fund Balance to balance our budget. **The Board will recall the fiscal cliff this practice presents.** Not only is this against professional guidance and negative in the eyes of rating agencies, but it also represents another use of a non-tax levy revenue, which increases the odds that we'll find ourselves in a similar position another year later. This practice perpetuates itself. Were it not for positive revenue and operating results in FY 21 the Board might have had to consider an even higher mill rate increase than the 3.98% that was adopted for FY 22.
 - Or we could increase our mill rate. The residents who enjoyed a lower than anticipated property tax increase a year ago will now be receiving a higher than anticipated tax increase. Residents, especially those on fixed incomes, find this difficult to plan for. No one wants to pay taxes but, in my experience, to smooth out the highs and lows has been a successful practice.

Q15: In relation to the above questions, are there capital projects that Town management would recommend funding in the 2023-2024 budget proposal in relation to these increased revenues?

There are always more needs than resources available. Please see pages R. 12-R. 44 of the budget book for a list of all capital project requested by Department Heads. As with the operating budget, priorities have to be set.

Q16: In the BOE budget materials, the General Fund Revenue schedule reflects \$4.3 million of 22-23 project revenues which totaled \$3.7 in the prior year budget materials. Should the BOF members interpret this as an estimate of a positive revenue variance in the current year?

Much of this positive variance is in the Special Education Tuition Reimbursement line, which accounts for revenues that are expected from other districts for students participating in the Open Choice program that require “related services.” Related Services are services that are over and above those provided to the average student for a variety of reasons i.e., special education services, speech/language, counseling, one-to-one aid, etc. The BOE invoices the sending district for these services. In the current year (FY23), the expected revenue estimate increased over what was budgeted because Open Choice students required more services, resulting in the BOE billing the sending district more to cover the cost.

These are not discretionary funds. They have already been spent and accounted for. For FY24, it is recommended to budget this revenue at the level at which we anticipate finishing FY23.

PROPERTY TAX REVENUE RELATED QUESTIONS:

Q17: What were the \$ amounts of actual collections for the past five completed budget years and the percentage increase compared to the prior year collections?

Please see page B 3.

Q18: What cautionary guidance would Town management suggest the BOF members keep in mind when evaluating the effect of used auto values that spiked in budget year 2022-2023.

The Town uses values as published by NADA (National Automobile Dealers Association). These values have basically remained static on the October 1, 2022, GL but there is legislation pending that may have a negative impact. Any reduction in values would have to be absorbed by the property tax. The State has capped the car tax mill rate and the state grant that was provided to make up the difference does not provide 100% reimbursement of the lost revenue as it is based on the prior year Grand List. The residual is absorbed by the property tax.

OTHER QUESTIONS:

Q19: At the Town Council workshop in February, there was discussion regarding the funding in 23-24 a position in our Town Police Department (SRO) that had not been funded in prior years. In light of the risks we see at schools, is there a need for funding in the proposed budget for positions other than this one additional SRO?

Both the Chief and Superintendent spoke to this issue at the Town Council budget workshop. Please refer to the minutes of the February 4, 2023, Town Council Budget Workshop for discussion of this issue: www.avonct.gov/town-council.

Q20: What cautionary guidance would the Town and APS suggest the BOF members be aware of concerning the financial resources needed for school safety.

School security is an ongoing and evolving need and cost.

Q21: Please confirm that the only sewer work that will be done in FY 24 is for pipe lining? What is the current plan for connecting the rest of the Town to public sewers and will any of the cost of that buildout be done via bonding?

The WPCA has the statutory authority for the management of the sewer system. Costs related to the system are accounted for in Fund 5 which is supported by user fees. There are two sewer-related capital projects recommended in the FY24 capital budget: Pipe Lining (\$405,000) and Infiltration & Inflow (\$100,000).

As you know, the appropriations in the capital budget roll forward from year to year meaning that there may be additional projects occurring during FY24 for which funding was appropriated in a prior capital budget. For example, the AWPCA plans to complete a lateral extension on Timber Lane this summer. The lateral extension program has been funded over a number of fiscal years.

The Town's Wastewater Facilities Plan Update (2007) outlines the Town's priorities for future sewer extensions. It can be found here: [SEWER FACILITIES PLAN.pdf](#).

At this time, there are no plans to finance sewer projects using long-term debt. Even if there were, debt service would be budgeted in the sewer fund.

Q22: What is the Town's Total Pension Obligation as of FY24, including OBEP?

Measurements of our total pension and OPEB liability balances were provided by our consulting actuaries at the completion of our fiscal year 2021-2022 audit. These values are included in the fiscal year 2021-2022 ACFR as noted below:

	Town	BOE
Total Pension Liability Balance as of 6/30/2022 (pp. 62-64 of FY22 ACFR)	\$42,163,875	\$17,518,315
Total OPEB Liability Balance as of 6/30/2022 (pp. 78 of FY22 ACFR)	\$33,624,237	\$8,451,525

Q23: The Town currently has \$7 million in authorized but unissued debt. What debt is expected to be issued in FY24 (dollar amount and purpose)?

\$3.61 million of this amount represents the authorized but unissued debt related to the Public Safety Communications System project. The Siting Council just approved the request for a declaratory ruling to make the necessary modifications to the existing site. We are now in the process of obtaining updated cost estimates from the vendor. It is quite possible that the project

cost will be less than the authorized but unissued debt. We will know within the next few months. The balance is for the recently approved fire engines. We would expect to issue the debt towards the end of 2025.

Q24: What is the total amount needed (estimated or actual) to complete the Town and Public Safety Communications System?

The approved but unissued appropriation is \$3.61 million. Town staff are currently working with Motorola to finalize the project quote based on the Town deciding to join the state's system.

Q25: Tab R, Page R.2: Is the \$350K for continued design of Old Farms Road for FY 24 for the recently approved phase or for the second phase of OFR design?

This funding is for the design of the east-west section of Old Farms Road (Phase II).

Q26: It would be helpful in assessing the budget for 23-24 to know if there is much likelihood with financial information currently available of a significant positive or negative variance (\$200,000) to projected actual 22-23 compared to 22-23 budget.

In particular, the Board of Finance discussed (at the Feb 27 meeting) the monthly report showing numerous revenue sources coming in higher than anticipated.

Based on the monthly reports presented at recent Board of Finance meetings, there is a likelihood of revenue variances exceeding \$200,000.

Please see the Projected FY 2022/2023 Results for the General Fund that has been provided along with these responses. It should be noted that these are high-level projections that are designed to give a general idea of where fiscal year 2022-2023 results are trending as of 2/28/2023. With one-third of the fiscal year still to take place, these results are far from guaranteed.

Q27: Please explain how this unanticipated revenue can be taken into account by the BOF in setting the mill rate for FY 24. For example, can the amount of revenue needed to be raised by taxes be adjusted downward and if so, by how many mills?

It is standard operating procedure for the Board of Finance to ask the Town Manager if there are any non-tax levy revenue adjustments that can be recommended before deliberations begin at the budget workshop. As a preview, recommendations for revenue adjustments will be forthcoming. I expect to recommend revenue adjustments that will lower the required mill rate to 2.25%.

The budget approved by the Town Council was based on revenue estimates as of the end of December. We now have a few more months of history and, importantly, the Governor's budget has been released. Again, revenue adjustments having a positive impact on the mill rate will be recommended.

Q28: What is the dollar amount that the budget would need to be decreased to lower the mill rate increase to 0.8 mills (e.g., the total mill rate would be 35.41 instead of 35.75.)

The budgeted tax levy would need to be reduced by \$752,000 to lower the mill rate increase to 0.8 mills (2.31%). This would result in a mill rate of 35.41.

Q29: What is the total amount that the Town expects to pay for tipping fees in FY 2024?

The Town's competitively bid contract with Murphy Road Recycling stipulates a tip fee of \$110 for FY 24. The Town is budgeting for 950 tons of MSW at \$110 per ton, or \$104,500. Recycling is free.

Q30: Has the Town considered appropriating a fixed sum each year to put toward purchase of vehicles (e.g. Fire Department Recommending \$240k each Year to fund next vehicle purchase)?

Yes. The Town has taken this approach before. The replacement of the playing surface on the turf field will likely also lend itself to this approach.

Q31: At the Town meeting on the fire truck purchases, former Town Council Chair Mark Zacchio stated that in the past the Town paid cash for vehicle purchases. What is the rationale for the change to using bonds instead of cash?

With the exception of the recently approved engine and ladder truck, the Town has, and expects to continue, to pay cash for vehicles. A possible exception may be a lease purchase option. The cost of the two fire engines that were recently approved is \$3,431,000. To put this amount in perspective, the total cash capital budget supported by the General Fund as proposed for FY 24 is \$3.6mm. Put one way, an entire year's worth of capital projects would have to be deferred to make it possible to pay cash for these vehicles.

The AVFD also advises that there is some urgency with getting the new vehicle on order due to mechanical issues, particularly with the ladder truck. Vehicles cannot be ordered without 100% of the funding in place. As it is, the lead time for delivery of these vehicles is approximately 2 ½ to 3 years.

We have also seen significant price escalation for these vehicles as we have been completing a study and going through the appropriation process. These price escalations are such that, depending on the delay, and further maintenance costs incurred during that delay, the cost of waiting may exceed the present value of the future interest on the debt. Finally, what would we do if one of the current vehicles had to be taken out of service, particularly, the ladder truck, and the new vehicle hadn't even been ordered yet? This would present a whole other range of problems.

We did use a pay as you go strategy for funding Engines #7 and #11. There were other factors in the mix. We had more lead time for those vehicles and the overall capital priorities were different at the time. The total funding required was less than ½ of the amount recently approved at the Special Town Meeting. Moreover, there are philosophical issues that should be considered when saddling one group of taxpayers with such a large cost. One of the benefits of bonding is that it spreads costs over a generation of taxpayers which will all benefit from the expenditure thereby achieving some level of intergenerational equity.