

**BOARD OF FINANCE
REGULAR MEETING MINUTES
MARCH 22, 2021**

I. CALL TO ORDER

The meeting was called to order at 7:00 p.m. via GoToMeeting by Chairman Thomas Harrison. Members present: Chairman Thomas Harrison, Vice Chairman/Secretary Catherine Durdan, Ellen Retelle, Cathy Salchert, Katrina Marin, Margaret Bratton, and Ken Birk. A quorum was present.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Thomas Harrison.

III. COMMUNICATION FROM THE AUDIENCE - None

IV. MINUTES OF PRECEDING MEETING:

February 9, 2021 Special Meeting

On a motion made by Margaret Bratton, seconded by Katrina Marin, it was voted:

RESOLVED: That the Board of Finance approves the minutes of the February 9, 2021 Special Meeting as drafted.

Messrs: Harrison, Birk, and Mmes: Bratton, Salchert, Retelle, Durdan, and Marin voted in favor.

February 22, 2021 Meeting

On a motion made by Ellen Retelle, seconded by Katrina Marin, it was voted:

RESOLVED: That the Board of Finance approves the minutes of the February 22, 2021 Meeting as drafted.

Messrs: Harrison, Birk, and Mmes: Bratton, Salchert, Retelle, Durdan, and Marin voted in favor.

V. OLD BUSINESS

20/21-05 Review and Discussion: FY 21/22 Budget Including Presentation

Mr. Robertson and Tom DiStasio, Director of Finance, provided a presentation, Overview FY 2019/2020 Close to FY 2021/2022 Development (which is attached and made part of the minutes). Mr. DiStasio noted that \$500,000 of the \$750,000 in cost avoidance by the Board of Education was utilized to offset the FY 20 General Fund budget; the remaining \$250,000 was placed as an assignment on Fund Balance at the end of FY 20 for the Board of Education's future use. He also noted that when you look at FY 22's mill rate increase in combination with the zero percent increase for FY 21 it is an average of a 2.28% mill rate increase for each FY 21 and FY 22 which stacks up more in line with prior year tax increases.

In response to a question from Ms. Retelle, Mr. DiStasio responded that in March 2019 (as of June 30, 2018) there was \$9,594,498 in Unassigned Fund Balance; we have \$12 million through June 30, 2020; the goal, a Town Council Policy, is 10% of the prior year's actual expenditures and transfers out; in order to get 10% of the previous year's actual expenditures and transfers out for FY 20, it would be 10% of \$88,245,221, or approximately \$8.8 million. Ms. Retelle asked that if we have \$12 million why we need to raise it higher if we have met the goal. Mr. Robertson responded that we have a policy that we should have a minimum of 10% of Unassigned Fund Balance; it is a very low level for a AAA community; most have between 12-15%; as far as using Unassigned Fund Balance that is up to the Board. In response to a question from Ms. Retelle, Mr. DiStasio noted that the \$12,442,339 is based on a budgetary basis of accounting, the GAP basis Unassigned Fund Balance is \$12.7 million, which is 14.42%. He noted that the percentage is the Unassigned Fund Balance divided by the previous year's overall expenditures; when we look towards FY 21 the expenditures will likely rise and reduce that percentage. In response to a question

from Ms. Retelle, Mr. DiStasio responded that with \$90 million in expenditures, 14% of that would amount to \$12.6 million. Ms. Retelle noted that we are at \$12.4 million.

Mr. Birk appreciated the presentation. He inquired where other towns, from last year to this year, stand with COVID and post-COVID reactions. Mr. DiStasio responded that there are other communities in similar situations, dipping into fund balance, and now have to make up that difference; there are three places to go: spending, non-tax levy revenue, or making it up in the tax levy. Mr. Robertson cautioned that when you compare Avon to other surrounding communities, it is misleading as a year over year change in the tax rate; it does not tell you what the effective tax rate is or the underlying variables that drive that. Mr. Birk shared that we are going to have to tell a story to the community that puts Avon in a good position; the 4.56% proposed mill rate increase is going to create a lot of chatter.

Ms. Salchert appreciated the overview presentation. She does not understand the need to have 0.70 mill rate increase to replenish the \$1.8 million to Unassigned Fund Balance. She referenced pages 91-92 in the Annual Financial Report; in 2020 Unassigned Fund Balance closed at \$12,722,454 and takes into account the assignments on Fund Balance. She noted that the Avon Village Center is the number two taxpayer added to the Grand List last year and inquired if there is any revenue from that and we have federal aid just awarded in the amount of \$1.8 million for the municipal side of the budget and we are not taking any of that into account when deciding how much to raise by just taxes alone. Mr. Robertson responded that the Avon Village Center is worth about 0.5% on the Grand List, as of October 1, 2020 which is included towards the proposed FY 22 mill rate. In response to a question from Ms. Bratton, Mr. Robertson responded that we do not yet know enough about the federal aid award regarding usage in time to have a meaningful impact on the budget process. Mr. DiStasio noted that the \$12.4 million was different than what is seen in the financial statements as the statements show things presented on a (GAAP) Generally Accepted Accounting Principle basis versus budgetary presentation; he referenced page 37 of the Annual Financial Report to show this difference.

In response to a question from Ms. Bratton, Mr. Robertson responded that he does not think the mansion tax will come forward before July 1, 2021. Mr. Robertson offered to run a few scenarios for possible use of Unassigned Fund Balance to offset whatever tax increase would otherwise be necessary to support the FY 22 budget in preparation for the April Budget Public Hearing. In response to a question from Ms. Salchert, Mr. Robertson responded that in order to drive the levy necessary to support this level of spending, we need a 4.56% tax increase and includes the additional value of the Avon Village Center as of October 1, 2020. He noted that there are three options to offset the levy: through taxes, non-tax revenues or expenditure reductions. He added that if the Board of Finance is interested in using some level of Unassigned Fund Balance like last year to make up for a portion of the \$1.8 million that would otherwise be driven through the tax levy. Mr. Harrison would like to hear from the voters on April 5th.

Ms. Retelle appreciated the presentation. She agreed to hear from the voters. In response to a question from Ms. Retelle, Mr. DiStasio responded that we build a budget to balance; the budget proposed will result in the Fund Balance staying the same. Mr. Robertson noted that there is not a connection between the mill rate and the budget on an end-of-year basis.

Mr. Birk commented on interest income. In response to a question from Mr. Birk, Mr. DiStasio responded that the projections for next year indicate a decrease from what we projected for the current year with interest income based on interest rates going down as a result of the federal funds rate being reduced to its floor.

In response to a question from Ms. Bratton, Mr. DiStasio responded that when we take a look at our budget for heating we heat most of our Town buildings with natural gas so oil is less impactful with respect to our expenditures; however he cannot speak to the Board of Education buildings.

In response to a question from Mrs. Marin, the Clerk responded that the Avon Assessor calculator will be included in the handout that is distributed for the Budget Public Hearing.

Mr. Robertson requested that any proposed changes for the Board's presentation for the Budget Public Hearing be e-mailed to Mr. DiStasio with a copy to him no later than this Friday, March 26th.

VI. NEW BUSINESS

20/21-21 Supplemental Appropriation: Patrol Building Generator Replacement, \$162,000

On a motion made by Margaret Bratton, seconded by Tom Harrison, it was voted:

RESOLVED: That the Board of Finance hereby appropriates a sum not to exceed \$162,000.00 from General Fund, Other Financing Sources, Unassigned Fund Balance, Account #01-0390-43913 and transfer from General Fund, Other Financing Uses, Interfund Transfer Out, Account #01-8700-58000 to Capital Projects Fund (Facil & Equip), Town CIP-Facilities, Patrol Building Improvements, Account #02-4829-53082, and Capital Projects Fund (Facil & Equip), Other Financing Sources, Interfund Transfers In, Account #02-0390-43918 not to exceed \$162,000.00 for the purpose of replacing the emergency generator at the Avon Police Department.

Messrs: Harrison, Birk, and Mmes: Marin, Bratton, Retelle, Salchert, and Durdan voted in favor.

VII. TOWN MANAGER'S REPORT

A. Monthly Financial Report Summary

Details were included in the packet report dated period ended 02/28/21 prepared and reported by Tom DiStasio. He noted that the Federal Reserve Open Markets Committee met last week and elected to leave the federal funds rate at the same level, at its floor, as it has been since the start of the pandemic.

B. American Rescue Plan Act (ARPA)

Mr. Robertson reported that Avon will receive approximately \$1.8 million in municipal aid and \$750,000 in Local Educational Agency Aid; guidelines are still being ironed out.

VIII. OTHER BUSINESS – No other items were discussed.

IX. ADJOURN

On a motion made by Ellen Retelle, seconded by Katrina Marin, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 8:20 p.m.

Messrs: Harrison, Birk, and Mmes: Bratton, Salchert, Marin, Retelle, and Durdan voted in favor.

Respectfully Submitted,
Cathy Durdan, Vice Chair/Secretary

Attest: Jennifer Worsman, Clerk

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

Overview

FY 2019/2020 CLOSE TO FY 2021/2022 DEVELOPMENT

FY 2020/2021 Budget Development – May 2020 *To Take Effect on 7/1/2020*

1. Original FY 2020/2021 Budget:

- Total Budget: \$99,855,760
- Use of Fund Balance: -
- Mill Rate Increase: 3.47%

2. Spending Cuts of \$1,144,430:

- Total Budget: \$98,711,330
- Use of Fund Balance: -
- Mill Rate Increase: 2.13%

FY 2020/2021 Budget Adoption

3. Two Scenarios Proposed To Lower Tax Increase:

- Scenario A:
 - Use \$1.8 Million of UFB for a 0.00% Tax Increase
- Scenario B:
 - Use \$1.3 Million of UFB for a 0.52% Tax Increase

4. FY 2020/2021 Budget Adopted - Scenario A:

- Total Budget: \$98,711,330
- Use of Fund Balance: \$1,800,000
- Mill Rate Increase: 0.00%

Fiscal Year 2019/2020

Budget-to-Actual Results – General Fund Revenues

- See a summary of the budget-to-actual revenue variances per Exhibit A-4 of the AFR below:

Category	Final Budget	Actual	Variance
Property Taxes	\$84,624,710	\$84,561,255	(\$63,455)
Intergovernmental	2,509,912	2,810,122	300,210
Charges For Services	2,016,925	3,493,542	1,476,617
Investment Income	577,307	638,415	61,108
Other Local Revenues	220,345	188,129	(32,216)
Other Financing Sources	385,000	50,000	(335,000)
TOTAL	\$90,334,199	\$91,741,463	\$1,407,264

- The total variance is being driven by \$1,317,404 of revenue for special education services provided to non-resident students in excess of what was budgeted.
- The budget for this revenue account was adjusted in the FY 2020/2021 budget in response to this activity, and future variances of this magnitude are not anticipated.

Fiscal Year 2019/2020

Budget-to-Actual Results – General Fund Expenditures

- See a summary of the budget-to-actual expenditure variances Exhibit A-5 of the AFR below:

Category	Final Budget	Actual	Variance
Town Council	\$25,659,837	\$24,586,131	\$1,073,706
Board of Education	58,812,077	58,062,523	749,554
Debt Service	3,746,038	3,036,692	709,346
Transfers Out	2,116,247	2,116,247	-
TOTAL	\$90,334,199	\$87,801,593	\$2,532,606

- This can be compared to the following historical variances for the previous five fiscal years:

Fiscal Year	Final Budget	Actual	Variance
2018/2019	\$85,210,821	\$84,812,988	\$397,833
2017/2018	\$83,840,690	\$83,600,806	\$239,884
2016/2017	\$81,346,959	\$80,998,818	\$348,141
2015/2016	\$79,269,015	\$79,073,485	\$195,530
2014/2015	\$77,520,225	\$77,453,997	\$66,228

Fiscal Year 2019/2020

Budget-to-Actual Results – General Fund Expenditures

- The primary drivers of the \$2,532,606 budget-to-actual General Fund expenditure variance can be broken down as follows:

Driver	Amount of Impact	Notes
Cost Avoidance	\$1,411,118	<ul style="list-style-type: none"> Board of Education (\$749,554) Town (\$661,564) <ul style="list-style-type: none"> Delayed Filling of Vacant Positions Curtailed DPW Operations due to varied staff schedules and reduced programming needs Reduced Overtime for DPW & PD Reduced Recreation Programming Reduced Professional Development Cancelled Budget Referendum & Delayed Presidential Preference Primary
Debt Service Adjustment	\$709,113	<ul style="list-style-type: none"> Adjustment to Debt Service Schedule
Workers' Compensation	\$116,374	<ul style="list-style-type: none"> Effects of Positive Experience Rating
TOTAL IMPACT OF DRIVERS	\$2,236,605	Amounts to 88.31% of Total Budget-to-Actual Variance

Fiscal Year 2019/2020

Budget-to-Actual Results – Summary

Category	Final Budget	Actual	Variance
Revenues	\$90,334,199	\$91,741,463	\$1,407,264
Expenditures	\$90,334,199	\$87,801,593	\$2,532,606
TOTAL GENERAL FUND BUDGET-TO-ACTUAL VARIANCE			\$3,939,870

- The total FY 2019/2020 General Fund budget-to-actual variance was \$3,939,870.
- This amount was closed to budgetary General Fund balance as of June 30, 2020.
- \$3,554,009, or 90.21%, of this variance can be explained by the impact of the COVID-19 pandemic and other items isolated to FY 2019/2020.
- For purposes of comparison, the average increase to budgetary General Fund balance in the previous five fiscal years (2014/2015 through 2018/2019) was \$348,256.
- Based on review of this historical data, this amount is unusually high and budget savings of this magnitude is not anticipated in FY 2020/2021 or future years.

Fiscal Year 2019/2020

Closing Transactions & Assignments

- Fiscal Year 2019/2020 activity totaling \$3,939,870 was closed to budgetary General Fund balance.
- Assignments of \$2,673,000 were then recommended for: future BOE, Pension, and OPEB expenses; FY 2020/2021 budgeted use of unassigned General Fund balance; and other future expenditures.
- See below for a reconciliation of FY 2019/2020 closing activity and assignments to General Fund balance:

	Amount	Notes
7/1/2019 Unassigned General Fund Balance	\$11,175,459	See AFR - Exhibit A-3 (page 92)
Plus: FY 2020 Closing Activity	3,939,870	See AFR - Exhibit V (page 24)
Less: New Assignments Placed on General Fund Balance	(2,673,000)	Approved by BOF in December 2020
6/30/2020 Unassigned General Fund Balance	\$12,442,329	* See note below

* The amounts presented above are shown on the budgetary basis of accounting, whereas the Financial Statements presented in the AFR are shown on the GAAP basis. This results in a \$280,125 difference between the 6/30/2020 Unassigned General Fund Balance presented in Exhibit A-3 of the AFR and the amount shown above.

What does this mean for FY 2021/2022?

Impact of Use of UFB on FY 2021/2022 Mill Rate

- In FY 2020/2021, relief was provided to the tax levy through the budgeted use of \$1.8 Million of Unassigned General Fund Balance.
- Before factoring in current year spending, the FY 2021/2022 tax levy must be increased by \$1.8 Million in order make up for the fact that this relief is not present for FY 2021/2022.

Steps to Breakdown of FY 2021/2022 Mill Rate Increase	Grand List	Tax Levy	Mill Rate	Mill Rate % Inc.
Start: Adopted FY 2020/2021	\$2,572,968,792	\$84,650,673	32.90	-
Step 1: Make up for UFB use of \$1.8M	-	+\$1,800,000	+0.70	-
REVISED AFTER STEP 1:	\$2,572,968,792	\$86,450,673	33.60	2.12%
Step 2: Adjust to Meet Spending Needs	+\$26,569,950	+\$2,985,690	+0.80	-
TOTAL REQUESTED:	\$2,599,538,742	\$89,436,363	34.40	4.56%

Look Back at Tax Increase History

Context for FY 2021/2022

