

**BOARD OF FINANCE
TOWN COUNCIL
BOARD OF EDUCATION
BUDGET WORKSHOP
APRIL 5, 2017**

I. CALL TO ORDER

The meeting was called to order at 7:03 p.m. at the Avon Senior Center by Chairman Thomas Harrison. Members present: Chairman Thomas Harrison, Vice Chairman/Secretary Thomas Gugliotti, Jeff Bernetich, Margaret Bratton, Catherine Durdan, and Dean Hamilton. Michael Oleyer arrived at 7:33 p.m. A quorum was present.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Thomas Harrison.

III. OLD BUSINESS

16/17-03 FY 17/18 Budget: All Three Boards

A. Board of Finance Workshop: Set Budget Goals and Objectives

Mr. Harrison thanked and welcomed all for coming. This is an informal meeting, we call it a workshop of the three Boards in Town. All three Boards are entitled to and encouraged to speak out, ask questions to us, among each other and so forth. However there are no questions from the audience tonight; this is not a public hearing, although it is a public meeting. Among the three Boards there is full disclosure, discussion which for the most part over his years on this Board have been peaceful, productive, there have been a few occasions where a discussion or two got a little bit heated but does not expect that tonight. What the purpose of this workshop is to digest what we heard at the public hearing on Monday night, did we pick up any signals/hints/pros/cons from the people who spoke and from his perspective he did not hear much guidance one way or the other; a lot of people had questions with technical things on the Board of Education budget but did not get any as we have in the past, leave the budgets alone, raise the budget, lower the tax rate but did not hear any of that on Monday night. What we hope to accomplish is to find out what the other Boards think happened on Monday night and what we as a Board of Finance ought to do. We will make a decision tonight; we have a “show and tell” where every member of the Board of Finance speaks out and gives his/her opinion on what he/she thinks we should do and if we have at least four votes on one side of the issues that is the probably the final way we will wind up.

Mr. Harrison opened it up to comments from anybody on any of the three Boards or Town Manager or Superintendent. What is your sense on the public that spoke on Monday night? He also received a few e-mails from people today requesting not to reduce the Board of Education budget.

Mr. Zacchio, Town Council Chairman, commented that it is a short conversation about what we heard on Monday night with less involvement than other meetings where we have had 200-300 people stand up and give some opinion around where the budget has fallen and makes it easier for your Board because you get a lot of feedback and get a balance of what is going one way or another. You don't have that luxury this year; there wasn't a lot of comment to give you direction. From a budget perspective, he speaks for the Council in that we don't really like this budget, we didn't want to be in this spot at 3.62%. We along with the Board of Education budget would have passed along something under 3% to the Board of Finance before we were handed a revenue picture from the Governor that is drastically off what our revenue estimates were at the time. That put us at slightly over 4% and we called a three-board meeting, had discussion and ideas on how to handle that. Council collectively thought the 4%+ wasn't something responsive to the public or the Board of Finance so we made some adjustments to the revenues and expenditures to get it to 3.62%. We

sit here tonight with a budget that we are all swallowing a big portion of the State's financial problems, not Avon's financial problems and unfortunately a budget that is higher than he would have liked to have seen it but still responsive to the needs that both of these boards came to through a long process of building and the extra piece is paying the State for their poor governance over the last twenty-five years. That is the only fact that we can deal with tonight. If we start to cut deeper into these budgets in his opinion we introduce new risk because we don't know where the State's budget is going to be this year; we may have those new risks mid-way through our financial year which makes it more difficult for the professionals sitting in the room to react to that. He is concerned about that; that we have additional risk in revenues getting cut deeper that will put us in a difficult position later.

Mr. Harrison commented that one question that comes up frequently is why not use surplus; we have a nice size and can we use some of that to provide some tax relief; the Council is the keeper of the surplus. In response to a question from Mr. Harrison, Mr. Zacchio stated that we have a policy to have 10% in surplus against what the budget number is; every year the budget number goes up, the surplus goes down unless we are contributing to it. We had a rough couple of years and have not contributed to that number at the rate our budget has been increasing. We are just north of 10% as of right now. It is important two-fold: there for us from a rainy day perspective and the rating agencies look at that number and like to think that if we have a policy that we worked to and try to maintain it so using for reasons to offset operating budgets is probably not a good reason and the rating agencies rating system concerns him. He noted that we have a revaluation coming up in 2018, the economy and the market is not exactly what we like it to be; if we see reductions happen on home values and the levy comes down we have traditionally used some surplus money to smooth those transitions so we don't have 10-12% budget increases which drives the public crazy; you want a tax rate that you can depend on. With that very small surplus above 10% using any of it right now to offset an operating expense brings us well below 10% and it creates a bigger hole for us next year as a non-recurring revenue and is a structural issue as you would have to make up that difference plus whatever we might get from the State plus whatever our contracts will require. If we had 12% he might have a different answer but we have just north of 10% now and not a lot of discretionary dollars in there. The Council would have to collectively decide to vote against their policy of 10% for a supplemental appropriation which he does think any of us are in a position to recommend.

Mr. Harrison asked any other Council members for any comment. Mr. Pena noted that he is surprised at the number of people that showed up tonight. He enjoys going door to door as well as the Senior Center, Library, Stop & Shop, and the Landfill; get a mix and talk to various people because each one says something differently but in this case he didn't hear that. They know that we are in a bind, they don't particularly like it, but understand that it has to be done; they wish that it had come in gradually but concur that we need to leave the budget like it is. Mr. Harrison commented that it is very different from past years and is very quiet this year. Mr. Pena added that regarding the surplus he agrees with Mr. Zacchio. He noted that the public knows it is there but this is recurring and we should not take money out on an annual basis, they are not in favor of using it. Mr. Harrison commented that there is a danger of a precedent. Mr. Pena agreed.

Mr. Stokesbury reinforced that he does think that any of the Council members like the budget but we did agree on it and sent it to you; we are behind it as a reasonable budget given the risks we are facing and we spent a lot of time talking about the structural change we are facing from the State and we don't know is how it is finally going to come out and phased in. If we do get hit with the teacher pension portion, it will probably ramp up over the years and that number is going to grow exponentially and is one of the big factors facing the State and the Governor is trying to offload it on 169 other taxpayers. He commented that the other big picture item in the Town is the grand list. There are some signs of optimism; we have some projects in Town that are around the corner and have to cautious to see if some large projects do come online and start adding to our grand list and

have more comfort with our numbers. He would be concerned with cutting the budget deeper at this point given the uncertainty from the State and uncertainty as to when we will hear those numbers. Mr. Harrison responded that it probably won't be until July, August or later.

Mr. Harrison called on the Town Manager to provide more information about the grand list growth. The Town Manager commented that it is at 0.73% right now. In talking with the Assessor, over the next few years we have a few significant variables, the largest one being the Avon Village Center Project of which you are all somewhat familiar with, talking about approximately 1 million square feet of mixed use/commercial/retail/residential; we are working with the developer but still have a ways to go, have to back in front of the Planning and Zoning Commission for detailed site plan review and approval; we do not have a hard timeline for when they will be ready to do that but on an informational advisory basis they will be back in front of the Commission later this month for a check-in. In talking with the Assessor that is one variable without that you are probably looking at grand list growth over the next couple of years along the moderate path of 0.5% and 0.75%; it gets harder to move the list because of the dollar value at around \$2.7 billion. In response to a question from Mr. Harrison, the Town Manager stated that the revaluation will be effective on the 2017 list. Ms. Colligan, Finance Director stated that it will be in FY 2019/2010 on the 2018 list. In response to a question from Mr. Harrison, the Town Manager stated that it would be the snapshot as of October 1, 2018 and used to build FY 2019/2020. Mr. Harrison noted that the last grand list went down.

Mr. Harrison called on Board of Finance members with any questions for the Town Council. In response to a question from Mr. Gugliotti, the Town Manager stated that the reductions made from department budget requests was in the millions. He noted that capital budget requests were over \$10 million and were brought down to \$4 million. He clarified that \$1.2 million was reduced from operating costs to get to what is in front of you now.

Mr. Harrison called on the Board of Education member with any questions. Mr. Putnam-Lowry, Board of Education Chairman, stated that you did not have a large hueing cry, no great uprising about taxes being too high or too low. He recognized that we are in a difficult position and thinks they understand that. In light of the 2.5% cap we cut a fair bit; we are down twenty-two and a half positions; we manage to do that and still preserve programs. If you were to say chop some more we are going to have to say something has to go, but don't know what it is going to be yet. Some parents have suggested Chinese but it is one of the cheapest things we have; we have been building it on as a young language and part of what we are trying to do as a school district. We are concerned, we chopped \$2.2 million out of requests that came to us; there are little things that come along, a teacher that unexpectedly retires and you can hire a cheaper replacement. All budgets end up being an estimate so there is not a lot spare in this one. We are concerned that on the first round if we get a lot of cuts we are going to have to take something out.

Mr. Mala, Superintendent of Schools, stated that he has spoken enough throughout our season; he stands on what he has brought six years, honesty and integrity and we tell you the truth; it is a tough year, we know it and we delivered the best we could deliver. Mr. Harrison stated that you had your budget already developed and adopted before we had any idea of what was coming down from the Governor; the Council had an opportunity to make some further adjustments but you made an honest budget based on what you reasonably expected and then the Governor cut out an approximate \$738,000. Mr. Mala stated that at the time of the development of the Superintendent's proposed budget which was delivered to the Board of Education in November he was operating under the constraint of a 2.5% cap because that was known at that time and weighed heavy on the reduction of well over \$2.2 million and the reduction of those positions. Everything could be done but there is a cost to it; what do we want as a community; we are in a bad place and it is only the beginning. Mr. Harrison responded that none of us have seen anything like this before.

Ms. Blea, Board of Education member, reinforced that we have faith in this budget and have cut as much as possible; just because you didn't see a big outcry from parents she predicts they will be at the Board of Education meeting on the 18th. She wants to make a concerted effort to work together to support programs that can be saved with this current budget.

Mr. Pena stated that initially when the budget process started it was loud; he applauds all three boards for meeting and getting additional information out to the voters and as they learned where we are statewide they understand what is going on. Mr. Harrison agreed that was a good observation. He thanked the Town Council for calling the three board meeting in March; it was one of the best, well attended, very polite conversation, good questions and understanding and may have helped for the conversation at the public hearing.

In response to a question from Mrs. Bratton, Mr. Zacchio stated that we have not yet figured out if we can change the tax bill language. Mr. Harrison asked that we look into it. Mr. Zacchio noted that without the changes in revenues that are so drastically different than what we have seen in the past and forecasted but for that change these two boards put together a budget that would have amounted to about 2.9% which we would have felt better about. Mr. Zacchio asked the Town Manager to look into this request.

Mr. Harrison stated that the budgets as they stand now we are well within the 2.5% cap that only looks at spending, not revenues or anything else so it will not be an issue for us. Mr. Zacchio stated that if we get a piece of the teacher's pension we will go well above the cap because the State put us in that position against the law that the State put us in place last year that we needed to follow. Mr. Harrison asked if any members have any new information about what is going on downtown. He has heard it is still uncertain, that maybe the teachers' pension will not be passed on in the form that the Governor has proposed; it may be late summer before they find \$1.7 million. We shouldn't expect much if any relief; it may be more grief. Mr. Zacchio stated that the risk he spoke of earlier is around the \$407 million hole that is in the budget today that would have represented the one-third teacher's pension that they are shifting to the towns; if that does not happen it will happen from some place, i.e. grant reductions for education, reduction in Municipal Revenue Sharing Account (MRSA) grant, one of those potentially is going to be the problem for us that we face in the fall. He hopes he is wrong.

Mr. Harrison stated that when all three boards start planning for next year's budget we have to be very conscientious of what happened this year and build a lot of this in so we do not face in the middle of the budget season. He does think the State's problems are going away overnight.

Mr. Harrison called on Mr. Oleyer for comments. Mr. Oleyer stated that the main question he has pertains to the Board of Education budget with the cut of 22.5 teacher positions; it was briefly answered by Mr. Mala the other night but he did not get a sufficient answer about where that cut is coming from. It would concern him to cut the budget anymore. The budget increase that has been proposed by both sides is fair, especially concerning the additional revenues that we are losing, in line with what we have done in other years. His concern is what is happening with the 22.5 teacher positions and the \$2+ million that come from that. With the information that he has now he wouldn't recommend any cuts to the budget as it is especially with that concern. Mr. Putnam-Lowry clarified that not all 22.5 positions are teachers and it is not literally a firing of everybody but not renewing 19 positions. Mr. Mala stated that there are 5 elementary positions because of student movement by grade and referred to the power point presentation; there are 8 teacher positions yet to be identified because we are still in the process of scheduling students for next year. We will achieve this by compressing sections of courses at the Middle School and High School and a bulk of the certified staff. The remaining balance is non-certified in all units except (inaudible). He cannot identify the cuts until he knows what number he is working with. We are going to send out non-renewal notices but will be appropriate to what our number is and what we anticipate might

happen. For kindergarten he has no idea on enrollment yet and that goes far into August when those decisions are being made. We added 4 kindergarten teachers two years ago and added 5 for this year unbudgeted and had to work within the confines of our approved budget. Once we finalize all of the reductions he meets with the Board of Education and then provides the notifications. Mr. Oleyer stated with that in mind it is important for us to consider and if there was any thought of reducing the budget further the Town's budget is well lower than expected especially with the revenues and with 22+ teachers proposed to be cut that is a concern.

Mr. Harrison called on Mrs. Durdan for comments. She did not have the opportunity to review the Town and Board of Education budgets. She listened to the nine residents and comments were varied; nothing came out of that that made a difference in what we would be doing tonight. The Governor's budget was delivered in February; the Superintendent's budget had been approved by the Board of Education in December. Then the Town budget was delivered to the Town Council in February and in March approved by a tax increase of 3.62%. The Governor put the towns in a difficult position by cutting the Education Cost Sharing (ECS) and the Special Education that is being funded. Total reduction to State aid to Avon is \$737,139. The bulk of your towns have been asked to contribute more. The Governor also asked that we start paying part of the cost of the teacher's pension which we have not included in this budget. My concern is that the house majority leader is looking at the towns assuming one-third of the pension costs or possibly less but to do so it is phased over the next five years. We need to find out what the Governor is going to do about the teacher pension liability. Because our budget is due before the State finalizes theirs I will be supporting the 3.62% tax increase.

Mr. Harrison called on Mrs. Bratton. I agree we should not touch the surplus because I think that would become a habit of us bailing out the State with our own surplus. I appreciate both boards. You were below the soft cap that turned out not to be an issue and you were under the 3.0 which was great. She is supporting what both boards put forth. I learned from our March tri-board meeting that it seems like more residents were more upset at the State situation than anything anyone did here; that is what I wanted to make clear and I agree with that. Other than my request for hopefully special wording on the bills and hoping that maybe residents of the State will learn from this and maybe flip who is in charge at different areas at the State level so this doesn't keep happening I agree with what is already presented.

Mr. Harrison called on Mr. Hamilton. I wanted to give kudos to each member of the Board of Education and the Town Council. Your conscientiousness in creating your budget under Governor Malloy's runaway train of financial imprudence is deeply appreciated. Instead of increasing State taxes directly Governor Malloy is forcing us to pay his overdue bills. Apparently the Connecticut income tax we pay isn't enough for him. It seems he wants to pick our pockets again. Wait until fall or next year let's be prepared for what happens next with Governor Malloy and the legislator as they work to pass their hot potato of fiscal year responsibility onto us. In Avon we must balance our budget every year. It is too bad the State doesn't have to follow the same requirement. I would prefer to see the proposed budget decreased by a small percentage to move the proposed tax increase much closer to 3.0% were these more normal times. Given our Governor's spending shenanigans I hope our voters at referendum understand that this is what Hartford is doing to us. This budget as presented represents our Town's valiant work to atone for the unconscionable burden placed upon us by the State of Connecticut's financial fiascos. I support the budgets as they are presented.

Mr. Harrison called on Mr. Bernetich for comments. I would say ditto; that was really good. Thanks for your hard work. My mom, a town resident, my aunt, a town resident, and all of their friends would like see zero. It is clearly not going to happen but that would be nice at the next party not to hear about it. I understand that and I think that less than three is really more doable and it would pass easily but it is going to go 3.62 this year. We all understand why. We all

understand where the blame lies, on the State of Connecticut. I am against using the surplus unless absolutely necessary. Thank you for all of your hard work, everyone that prepared those budgets. I know it was not easy. Mr. Harrison asked Mr. Bernetich if he is supporting the budgets as they exist. Mr. Bernetich stated yes.

Mr. Harrison called on Mr. Gugliotti for comments. Mr. Gugliotti stated that to get to the punch line I support the budget as proposed. I am not an apologist for Governor Malloy. With the State of Connecticut and what the Capitol is laboring under is the product of twenty-five years, thirty years, you pick your number. It has been coming for a long time. Nobody has put their foot down. In an odd way Governor Malloy may be putting his foot down in an obtuse way. There is some talk that we need to get the budget process in a better shape that it is in. Is he going about it the right way? I am not saying he is or he isn't but it is a long time coming. Someone said years ago, maybe it was Florence Stahl, that the best tax dollar you spend is right here in this town. Linda Merlin, from the audience, said it was her year after year. Mr. Gugliotti stated that remains true. I am very proud of what the Town of Avon provides and produces on the education side, from the services side. We are a go to town. I was visiting in Virginia last weekend, I said I was from Avon, Connecticut and they said it was a great town. There is a lot of be proud of. I am especially grateful, kudos have been passed out. I want to single out our two professionals, Brandon and Gary. I put, we all put, a lot of faith in our professionals. When our professionals tell us look I have cut this thing as far as I can and I have produced the best product I can I really believe that and have faith in that and that is why I am satisfied and content that the Board of Education already sliced and diced, a lot of things went on and \$2.2 million came out, on the Town side a \$1.2 million or maybe more was pulled out. I don't think there is anymore that can be pulled out. I ask myself what is it that I get in Avon that I am willing to give up in order to pay less in taxes and I can't come up with a darn thing. I want fire trucks, the Fire Department, the Police Department, the schools, the Library. When we took away the brush collection about ten years ago everybody went bonkers; that was a \$35,000 budget item as I recall. But that was emblematic of we all want stuff. Aside from people complaining about salaries and stuff, things of which are controlled by the binding arbitration statute, things that we can't really deal with. What is it that anybody really wants to give up to get much below this number? To me it is a no brainer. I wish it was lower, we all wish it lower but it has been well said in here that this is what we need so I am in favor of this budget.

Mr. Harrison stated I also want to commend and thank both of the other two boards and the professionals. I think I can join Tom that the confidence we have and the numbers that we get from Gary and Brandon, you can't describe that. We have had situations in years past with different professionals no longer here where you never really had the same level of confidence in the numbers they presented; that led to some reductions by our Board and the tremendous collapse of services that had been threatened never occurred. But with the folks we have now in that capacity it gives us a great deal of confidence as we review the budgets and when we listen to the comments about reductions having been made which we have heard in the past now we can have a lot of confidence in that. Enough has been said about the Governor and I have to agree that this would not be happening were it not for the reckless way the State has been managing its budget; its employee pensions are grossly underfunded, they have all sorts of issues down there, and it is clear that what is happening is that they want to lay off some of those problems on us. If they would leave us alone I think the two boards and ours would be dealing with much lower spending levels and much lower tax increases. But we have to play with the cards we've been dealt. We have all been saying this looks like it could be a one off year but I'm not so sure what they are going to do to us later this year and in the fiscal year too. We are here now, this is April 2017 and we have to deal with the numbers and revenue streams that are in front of us. We all wish the revenue streams were higher and the mill rate could be lower but does not believe that is doable this year. I will therefore join all six of my colleagues in saying that I will vote to support the budgets as presented so that is a unanimous decision by our Board.

B. Adopt Final Recommended Budget

On a motion made by Thomas Harrison, seconded by Thomas Gugliotti, it was voted: **RESOLVED:** In accordance with Section 9.4.1(b) of the Town Charter of the Town of Avon, after a public hearing duly held on April 3, 2017 and after due consultation with the Town Council and the Board of Education on April 5, 2017, the Avon Board of Finance hereby takes the following actions:

1. It recommends to the Annual Budget Meeting a Budget in the amount of \$90,913,236 for Fiscal Year 2017-2018; and
2. It authorizes the Town Manager and the Director of Finance to make such minor adjustments to the above Recommended Budget as may be necessary to ensure that the Mill Rate for Fiscal Year 2017-2018 shall not exceed 30.59.

Messrs: Harrison, Gugliotti, Bernetich, Hamilton, Oleyer and Mmes. Bratton and Durdan voted in favor.

C. Sign Call of the May 1, 2017 Town and Budget Meeting

IV. **NEW BUSINESS**

There was none.

V. **OTHER BUSINESS**

There was none.

VI. **ADJOURN**

On a motion made by Thomas Gugliotti, seconded by Dean Hamilton, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 7:56 p.m.

Messrs: Harrison, Gugliotti, Bernetich, Hamilton, Oleyer and Mmes. Bratton and Durdan voted in favor.

Respectfully Submitted,
Thomas A. Gugliotti, Secretary

Attest: Jennifer Worsman, Clerk

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