

Board of Finance 2/25/13 Minutes
Printer-Friendly Version

BOARD OF FINANCE
REGULAR MEETING
MINUTES

MONDAY, FEBRUARY 25, 2013, 7:00 P.M.

I. CALL TO ORDER

Chairman Thomas Harrison called the Board of Finance meeting to order at 7:11 PM at the Avon Free Public Library. Members present: Chairman Thomas Harrison, Vice Chairman/Secretary Thomas Gugliotti, Margaret Bratton, Catherine Durdan, Dean Hamilton and Brian Stoll. James Speich was absent. There was the presence of a quorum.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Margaret Bratton.

III. COMMUNICATION FROM THE AUDIENCE

Mitch Piper stated that as a resident of Avon for 10 years he has been active and tried to attend many town meetings. He has noticed, as Mr. Harrison has pointed out, a decline in the Grand List as well as his awareness that there is very little room for growth in that area due to limits of buildable land. The Governor has currently proposed a change to the car tax which Mr. Piper states will hurt local municipalities. With few other areas for the town to draw on for new revenue, what is the short term and long range plan of Avon to address the declining Grand List so that the citizens of Avon are assured that our schools don't decline and our roads don't continue their decline? Mr. Piper stated that he saw the CIP list that was published and noticed that the Town is asking to replace a lot of equipment that has dates of the 90's. He states that there are many things in our town that have already been left to decline, not just with the schools. Mr. Piper states he is a big proponent of the schools. He states that he means this in the kindest of ways, but if there is this continued reluctance on the part of the Board of Finance to raise property taxes as there has been in the past, how are we, then, as a community to deal with this extra loss of income to assure the citizens that our schools will keep pace with 21st century curriculums, and that our police, our fire, our infrastructure will remain in tact.

Mr. Harrison responded that he can answer some parts, but others are more appropriate for the Town Council. On the question of the Grand List, in our September meeting Brandon Robertson gave a presentation on the 5 year look ahead, specifically what would be the likely revenue growth in the Grand list as well as the other non property tax revenue areas. Brandon, Peg Colligan, Steve Kushner and Harry DerAsadourian spent a good part of the summer preparing this slide presentation, and copies are available. The expectation based on this report is that the town can expect 0.75% growth or roughly \$540,000 in new revenue per year. This does not take into consideration the 5 year revaluation that will begin this summer and be completed by October 1st, this will be used for billing the following July. Avon Park North development has been approved in concept, but no developer has yet come in seeking permits. Harry's best guess on that is that when it is completed as approved in concept, there may be 1.2 million in new revenue with a full build out. Non property tax revenue represents about 12% of total revenue in the current fiscal year. The 5 year study projects no change in this rate. The car tax change proposed by the Governor will have a significant affect. The town currently raises 4.5 million through this tax. Two thirds of the cars in Avon are assessed at \$20,000 or below. The first look at the proposed bill would exclude autos assessed under \$20,000. This would eliminate 3 million of revenue. With a deeper look at the bill, the office of Policy and Management and the Office of Fiscal Analysis have come up with an interpretation that would exclude the first \$20,000 of assessed value on all vehicles. This would create a 95 % reduction in revenue. The way the proposal is written now, it would

be optional for fiscal year 2014 and mandatory in fiscal year 2015. 2015 would also be the first tax year after the revaluation. This would shift taxes to commercial, industrial and residential payers. Mr. Stoll stated he could not imagine that there was any reason to act upon this until it was mandatory.

Mr. Harrison reminded the group that this is a proposal and has not been enacted. He believes that if it passes, it will be a serious hit to the budget. There will have to be a shift to the extent that we will need to replace the revenues. Monies will not be available from the non property tax side. In terms of facilities, roads, buildings, maintenance & repairs – the prioritizing of those expenditures is done by the Town Council. The Council can address how they set their priorities. In general priorities are guided by life expectancies. When the presentation was given back in September, Brandon and Harry did make special note that Avon is a mature community, not only in demographics, but in its infrastructure. The Town Council will need to plan for this in their budgets.

Mr. Harrison stated that perhaps he misunderstood Mr. Piper when he stated the Board of Finance has been reluctant to raise the levy, the property tax. He stated that we have raised the levy every year since he has been on the board. He agreed that the board may not raise it as much as some people would like, but they have never not-raised the property tax mill rate. He expects that the board will continue to have an aggressive dialogue about how much to raise it. Regardless of how much it is raised, revenue will have to come more from the real estate levy as apposed to the car levy. The voters still have the final say.

Mr. Gugliotti elaborated that we do not have a declining Grand List, only one that is not growing as it had in the past. He stated that the pundits that have been talked to are skeptical that the legislature will pass the revocation of the car tax, however we should all take this as a sign that people are talking about tax reform. He does not believe that any reform will make anyone in Avon very happy. By definition, tax reform, when and if it happens, will move the burden from the cities. In the discussion of the car tax it was pointed out that it is a very regressive tax. The tax burden for the same vehicle in Southbury is substantially less than in Hartford. The fact is you can make the same argument for all property taxes. Municipalities set individual rates. He brought the conversation back to Mr. Piper question of “What are we going to do”. He said he felt the honest answer was we don’t know. But he believes that Avon is not the only town facing these issues. He believes in the long term, the answer will be found as a product of regionalizing more things. In the short term, we all may need to get used to paying a little bit more for items we need. If we as a town agree that we like Avon and do not want to see it change into something else we may have to spend a little more than we are use to spending.

Mr. Stoll expanded on those thoughts by stating that when we received the report back in September, there was a lot of discussion of what do we do with it, and how do we share the information with the relevant boards. We weren’t able to get to a consensus on how to do that beyond sharing the report itself for this fiscal year. If hypothetically we assume that the need for the entire budget is 2.5% to 3% per year, there’s a gap of 1.75% to 2.25% each year. The Board of Finance is not in a position to do a whole lot to close that gap. We don’t bring businesses into town, we don’t fundraise for corporate funding, we don’t do the things that can make that gap go away. Regionalization is one approach; corporate sponsorship is something where it makes sense, corporate donations for computers in our schools illustrate another concept. Regardless, he believes the peer boards need to be more creative in where the money comes from. The idea that it will just come from tax increases, which would be necessary in the absence of other funding sources, if we are going to support more than .75% a year is something that no one is excited about in the town. He doesn’t think we are in a place to completely address it here. He does think one thing this board can do is be very cognizant of what the projections are. Given the recent economic history, he is optimistic that the current .79% growth may be the lowest for the 5 year outlook. He has participated in conversations to fully understand the accuracy of the revenue projections so that it can be used for planning and incorporated into budgets. Projection accuracy is critical as budgets get squeezed. There are no easy answers, and it will require the cooperation of all three boards to figure out how to provide for the needs of the Town.

Mr. Gugliotti reminded the board that there used to be meetings where the voters were concerned about high growth in town. The problem now is low growth.

Mr. Harrison added that based on the projections, school enrollment is expected to decline.

Mr. Stokesbury stated that the most recent report on school size census by Peter Prouda projects enrollment dropping from 3500 in 2012 to 2500 in 2022. There are two major factors involved in this trend; a mature population with lower birth rates and Magnet Schools. Magnet Schools are pulling a significant number of students from Avon. We still pay for them, but we don't necessarily have to house them in the buildings we have. We still need to maintain our school buildings, but this is easier to plan for than providing 30 – 50 million for new school expansion.

The packets provided had a Board of Education calendar year end summary. January showed a positive variance of \$130,000. Issues over the past couple of months are the snow storm, ongoing security issues & improvement, commencing a search for a new High School principal, the Director of Pupil Services has given notice that he is retiring at the end of the year and we will look to fill that role. In response to a question by Mr. Gugliotti, Mr. Stokesbury agreed that there may be some modest cost savings with the new hires, but it is too soon to speculate.

Mr. Stoll asked for clarification on the favorable balance projected in column H on the APS Financial Report. Mr. Stokesbury said that figure must be looked at as an interim expense and when projected out for the whole year, the listed savings disappears. He stated that there are anticipated expenses that have not yet occurred, therefore, they are not reflected in the report.

Mr. Gugliotti referencing the Magnet School Enrollment 2012-13 report asked for clarification on the relationship between Magnet School tuition and the cost per student in an Avon school, roughly \$11,000. Does sending a pupil to a Magnet School create a savings for Avon? Mr. Stokesbury replied that we still need to pay for the overhead of our educational facilities, with or without pupils who choose to attend a Magnet School. There is not a dollar for dollar relationship. Also noted, GHAMAS is a half day program, so students are still educated in Avon for half of the day. Mr. Stokesbury commented on the controversy over who is to absorb the cost of a pre-k program if the home district does not offer one. Originally the State said the Home District must pay. There was a court case that followed and the Hearing Officer wrote in favor of the Towns - the Home District did not have to pay. The Commissioner of Education said they would cover the cost for this year, and then the administration reversed itself and said they would not, the Town must pay. CREC has said for this year they will not charge this back to the sending Towns. This coming year, we may have this expense. The proposed budget is built anticipating this expense.

Ms. Bratton asked if the Magnet School tuition in the k-12 was really an expense rather than a savings. The reasoning was that unless you can eliminate an entire teacher, the same costs (staff and building) would exist in addition to the Magnet School tuition. Mr. Stokesbury responded that as you aggregate those, there is some savings in our staffing levels. Ms. Bratton asked if there was some way we can request that enrollment be specialized to certain grades so that it can help our staffing. Mr. Stokesbury asked if she meant as to who is entitled to apply to and attend a magnet? Ms. Bratton stated that she thought it was a lottery, so that anyone could apply. Mr. Stokesbury stated that it is unlikely that the State would make any effort to control that aspect of the program. Barbara Zuras added, with respect to the Reggio Magnet School, there is a great working relationship and given the needs of Avon, they may be willing to take more students from particular grades, if the need arose. Mr. Stoll asked how much lead time is there between the time students declare and when we need to staff for the upcoming school year. Mr. Stokesbury indicated that the summer is customary. He also added that due to declining enrollment in Avon, the Superintendent is able to agree to take in more Choice students, and bring that number up to roughly 100 students in the system for which we are compensated.

Ms. Bratton asked for clarification between a Charter School and a Magnet School. Mr. Stokesbury stated that a Charter School is a privately run school given authority by the State Department of Education to pursue a specialized plan whereas the Magnet Schools are State generated. In response to

a follow up question by Ms. Bratton, Mr. Stokesbury could not say if the Charter School teachers get the benefit of the public union benefit package.

Mr. Stoll asked if there was an expected favorable or unfavorable variance by year end. Mr. Stokesbury could not offer an opinion at this time. The latest reports did not include the blizzard.

IV. MINUTES OF PRECEDING MEETINGS: November 26, 2012

Section VI.- Page 3, Change comments to commented

Section VII.- Page 3, 4th sentence, change Pendis to Pendens

5th sentence, change Licenses, Fees... to Charges for Services

2nd paragraph, 1st sentence, insert "an" prior to opinion

On a motion by Ms. Bratton, seconded by Ms. Durdan, it was voted:

RESOLVED: That the Board of Finance approves the minutes as amended.

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

V. OLD BUSINESS

12/13-03 Review and Discussion: FY 13/14 Budget Process

As Brandon mentioned in the background, we need to confirm several dates. The Public Hearing will be held at the Senior Center on April 8th, the Town Meeting will be held at the same location on May 6th. Mr. Gugliotti asked if we are locked into that location or if it makes sense to change it to the High School. The Board did not feel any need to change locations at this time. The Workshop will also be held at the Senior Center.

Mr. Harrison asked the Board if the informal policy that the budget presentations would be made by either the elected officials of the Board or the CEOs (Superintendent or Town Manager) should be continued. Mr. Stoll added that if any Board wanted to have someone else speak for a particular purpose, that's acceptable, but must obtain approval from the Board of Finance Chair in advance. Mr. Harrison stated this is how it was done last year. The Board agreed that this should be continued.

VI. NEW BUSINESS

12/13-08 Review, Discussion & Approval: FY 11/12 Year End Transactions

Mr. Robertson agreed with Mr. Harrison that this is late this year. He reminded the group that the last time this board met, from a Finance perspective, we found ourselves in the middle of a perfect storm between the closing of fiscal year 2012 and end of the Calendar Year 2012. And primarily two issues that we ran up against. We had a key position in the Finance Department retire back in July. The selection process and learning curve associated with a new hire was combined with a lot more turbulence with the implementation of the new finance software than was anticipated. There were flaws in the underlying programming that were corrected by the vendor with the help of our auditors. There is a memo in the packets referring to this. We had to request two extensions and we are now in the process of wrapping things up for the year end with the auditors. Blum-Shapiro (auditors) feel it is in good enough shape that the Board of Finance can act upon the proposed year end transactions as provided in the Final Fiscal Year Transactions FY 2011-2012 report (not fully reviewed by auditors). Everything will be finalized with the auditors in the next couple of weeks. Going for two extensions has happened in Avon in the past, once in the late 90's early 2000's with the implementation of GASB 34. It hasn't happened since. This is a material finding, so it has to be disclosed in our official statement going forward for the next five years. Our credit rating is high enough, but a rating agency would take a look and want to know the details, which are explainable, and should have little consequence.

Mr. Robertson responded to Ms. Bratton that corrections made by the vendor were at their own expense. The trouble shooting assistance provided by Blum-Shapiro was minimal and there was no additional expense for their services.

Ms. Colligan brought the boards' attention to the memorandum in the packet which is different than normal. The request is for a rescission for previously authorized but unissued debt. Dennis Dix, our financial advisor, recommended this action. She stated since the projects are complete, this is more of a

housekeeping issue. Mr. Gugliotti asked, if when Thompson Brook School was built, did we bond less than what was approved because at the time we went out to sell the bonds it was known that the project was under budget? Ms. Colligan stated it was a combination of that and at that time, the State of Connecticut change the way it was reimbursing municipalities. Historically, the town was responsible for issuing the debt up front and the State paid us over the life of the issue. In our revenues, 2012/2013 was the last year we have school construction grant for about \$67,000, then it goes away. The State assisted the Town at a certain percentage rate. Back in the late 90's the State said within the pay as you go kind of program, the Town issues notes during the interim financing and when we go to issue the debt, we only issue for the net amount. The state has been paying us while we work on the project. The rate for school construction has been running about 24%. With the rest of the listed projects we could have received favorable bid results, favorable project management and a combination of the grant that comes in prior to issuing the long term debt.

A second issue that was unusual for the end of year packet was the FEMA transactions. The Town did receive almost \$1.7 million that is reflected in the 11/12 transactions. There is still an outstanding FEMA reimbursement in excess of \$430,000. It is a receivable, it has already been approved and we are expecting the check in the current fiscal year. Mr. Harrison asked if the Town was turned down on anything we asked to be reimbursed for. Mr. Robertson said on Alfred we received more than anticipated because we received monies both from FEMA and the Federal Highways Administration. This is the piece that is lagging because it is coming from a different source. These covered items are reimbursed at 100%. Storm Irene did have some projects that were pushed back. There was a capital project at Deepwood that was at first accepted provisionally, then rejected during the review process. We had a good overall experience, 99% of what was submitted was approved. Public Works provided excellent records. Complying with FEMA is quite the paper chase.

The FEMA receivable came in late, in September, after the close of the year and there was an agreement in place that the Board of Ed would get reimbursed 100% through FEMA for their qualified expenditures. So in the current year's budget 12/13 we have made good on that promise. There is a supplemental appropriation to reimburse the Board of Ed for the 25% that FEMA did not cover. These expenses primarily were for the running of the shelter.

The Board of Education request for encumbrances from the fiscal 2011-2012 budget is higher than we have seen in previous years this may change as some entries were categorized incorrectly. Some entries should have been entered as accounts payable and carried over in that manner, not as an encumbrance. Ms. Colligan reviewed the transaction highlights from the tabbed pages of the report.

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

RESOLVED: That the Board of Finance hereby approves the Fiscal Year End Transactions: Transfers, Supplemental Appropriations, Designations, Appropriations from Fund Balance, and the Rescission of Authorization for Previously Authorized but Unissued Debt, as outlined in the booklet Final Fiscal Year Transactions FY 2011-2012, and as described in the memoranda from the Director of Finance to the Town Manager.

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

Mr. Harrison asked if once all approved transactions are made, will the Town wind up with any fund balances? Mr. Robertson stated that there will be an amount that will go to unassigned fund balance at the end of the year of \$140,000. This will include both the Town side as well as the Board of Education. This is a bit higher than the historical range of \$50,000 to \$100,000.

12/13-09Supplemental Appropriation: Board of Education, \$3,455

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

RESOLVED: That the Board of Finance hereby amends the FY 12/13 Budget by increasing:

REVENUES

General Fund, Charges for Services, BOE Miscellaneous Receipts, Account #01-0340-43506 in the amount of \$3,455.00

and increasing

APPROPRIATIONS

General Fund, Board of Education, General Service, Account #01-9401-52185 in the amount of \$3,455.00 for the purpose of paying individuals who were proctors for PSAT examinations.

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

VII. TOWN MANAGER'S REPORT

A. Monthly Financial Report Summary

B. Miscellaneous Updates

The Town opened bids for contractors to perform the reevaluation project. Mr. Robertson anticipates that at the next Town Council meeting, it will be awarded. The reevaluation will be effective for the Fiscal Year 2015 operating budget.

The big issue legislatively is the car tax.

Ms. Colligan reported that Licenses, Fees & Permits are significantly ahead of projections. This is due to projects with CREC and Reflexite.

VIII. OTHER BUSINESS

There was none.

IX. EXECUTIVE SESSION:

There was none.

X. ADJOURN

On a motion by Mr. Gugliotti, seconded by Ms. Durdan, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 8:33 p.m.

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

Respectfully Submitted,

Thomas A. Gugliotti, Secretary

Attest: Mary Marinello, Clerk