

**BOARD OF FINANCE
REGULAR MEETING MINUTES
JUNE 26, 2017**

I. CALL TO ORDER

The meeting was called to order at 7:00 p.m. at the Avon Town Hall by Chairman Thomas Harrison. Members present: Chairman Thomas Harrison, Vice Chairman/Secretary Thomas Gugliotti, Jeff Bernetich, Margaret Bratton, Catherine Durdan, Dean Hamilton and Michael Oleyer. A quorum was present.

Mr. Harrison also reflected the presence of Board of Education Chairman Houston Putnam-Lowry, Superintendent of Schools Gary Mala, a couple Board of Education members, and our Tax Collector.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Michael Oleyer.

III. COMMUNICATION FROM THE AUDIENCE
(Including Board of Education Liaison Report)

Ken Birk, liaison for the Board of Education (BOE), reported that since month the BOE's estimated unexpended balance at May 31st decreased \$345,000 to \$25,000 or nearly 0% of the approved budget; the year-end balance of June 30, 2017 was affected by the year-end pre-buying that takes place this time of year. Following Wendy Howard's resignation in early May we have a new member, Jason Indomenico. Mr. Harrison welcomed Mr. Indomenico and wished him all the best. Mr. Birk noted that Avon High School had graduation on Tuesday, June 20th; a beautiful evening and congrats to Dylan Bernetich. There is a new principal at Avon High School, David Peling, who will be starting July 1st. Enrollment as of May 2017 is 3,322 compared to 3,323 in June 2016. In response to a question from Mr. Harrison, Mr. Mala responded that our enrollment projections are spot on; they may be a disadvantageous variance in kindergarten at Pine Grove School being very close at the class size cap in the labor contract.

IV. MINUTES OF PRECEDING MEETING:

April 3, 2017 Public Hearing

Page 2, Sec. VI, item 16/17-11, 5th line, replace "are" with "is."

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

RESOLVED: That the Board of Finance approves the minutes of the April 3, 2017 Public Hearing as amended.

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

April 5, 2017 Budget Workshop

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

RESOLVED: That the Board of Finance approves the minutes of the April 5, 2017 Budget Workshop as drafted.

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

May 10, 2017 Special Meeting

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

RESOLVED: That the Board of Finance approves the minutes of the May 10, 2017 Special Meeting as drafted.

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

V. OLD BUSINESS**VI. NEW BUSINESS****16/17-16 Approve Suspense List, \$16,215.70**
Deborah Fioretti, Collector of Revenue

Mr. Harrison stated this is an annual event and required for delinquent taxes and hire a State Marshal to chase them but for various reasons we are unable to collect the taxed and suspend them on the Collector of Revenue's recommendation; the tax obligation is still valid, but we end active the pursuit thereof. Ms. Fioretti stated it gives an idea how much will be on the books next year, approximately \$15,000 per year; last year we collected \$500 from the suspense list, \$2,000 the year before; they come back into the State we get them; businesses are LLCs and we cannot go after them. In response to a question from Mrs. Bratton, Ms. Fioretti responded that our current percentage of collection is 99.73%. In response to a question from Mr. Harrison, Ms. Fioretti responded that compared to other neighboring towns our suspense list is equal to or slightly above. Ms. Fioretti noted that we put three large businesses on suspense this year.

On a motion made by Margaret Bratton, seconded by Dean Hamilton, it was voted:

RESOLVED: That the Board of Finance hereby approve the suspense list as submitted by Deborah Fioretti, Collector of Revenue.

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

16/17-17 Review and Discussion: Board of Education Request for 1% Reserve
Account

Mr. Harrison noted that this item came before us in 2013 and for various reasons we did not take action at that time. Superintendent of Schools Gary Mala provided rationale behind the request to establish a fund pursuant to C.G.S. 10-248a. He gave examples of unanticipated expenditures that they manage within their approved budget to avoid requesting a supplemental appropriation which has not been done during his tenure. He noted communities that have a reserve account in place. Legislation passed in 2011 allows for a municipality that has a Board of Finance to establish such a fund to hold up to 1% of the school district's operating budget on an annual basis; it is governed by the Board of Finance. A legal opinion was also provided in 2013.

Mr. Robertson noted the statute allows at the conclusion of a fiscal year for a Board of Finance to deposit up to 1% of the unexpended portion of the Board of Education's operating budget for the prior year. The options for the Board of Finance are to create a Capital Projects Fund or a Special Revenue Fund. There is also Unassigned Fund Balance with a procedure to access but we want to keep our goal of at least 10% in it. We also want to have the fewest number of funds possible.

We could set up assignments or commitments on Fund Balance (see page 46 of the CAFR), similar to pension, other post-employment benefits (OPEB), and capital projects. The Board of Education has used this in the past for OPEB. Or as part of the end-of-year transactions management could make a recommendation for an assignment on Fund Balance for dollars to be used by the Board of Education and when needed for capital purposes they make a request to the Town Council and Board of Finance as is done with the supplemental appropriation process now. If the intent is for operating expenditures, the above routes may not be the best method but consistent with having proper documentation in place and rules to have an encumbrance setup and a purchase order to carry the funding forward. When discussed in 2013 there was mention that the Board of Education could have personal liability for over expenditures and it has always been the position of the Board of Finance to make the budget whole at the end of the year. There is some more work that still needs to be done from legal and auditing perspectives; there may be a role for Town Council; the statute talks about depositing funds into an account versus creating an account for this purpose.

Mr. Harrison asked if we could keep the "\$25,000" from lapsing while we continue to work on this. Mr. Putnam-Lowry commented that the budget should apply to the budgetary year; we need a better place to set aside these funds. Ms. Colligan noted that we could close the balance to Fund Balance and reserve it. Mr. Robertson noted that new Governmental Accounting Standards Board (GASB) requirements are coming; we recently redid the way we report for pensions and we will need to restate the way we report out for our OPEB liability and the percentage on the Board of Education side is going to go down pretty significantly. We may want to think about assignments on Fund Balance and stepping it up for the Board of Education; a good opportunity to do so with funds left at the end of the fiscal year. In response to a question from Mr. Harrison, Ms. Colligan responded that the unexpended funds end up going in on the revenue side as a miscellaneous revenue, a return of appropriation, and expenditures stay as is; pretty easy to trace in the CAFR; or put it on an assignment for a future establishment of the fund and you also have the ability to rescind the transaction if it is not in use.

In response to a question from Mr. Gugliotti, Mr. Birk responded that the \$25,000 is the unexpended balance from the current budgetary year. In response to a question from Mr. Gugliotti, Mr. Putnam-Lowry responded that they are expecting the amount to be in this ballpark. Mr. Gugliotti noted that you still have to come back to the Board of Finance to spend anything out of that account; the same is done with supplemental appropriations. Mr. Putnam-Lowry responded that we would set this money aside for a rainy day or unusual expense and you would feel more inclined to give it to us. In response to a question from Mr. Gugliotti, Mr. Putnam-Lowry responded that we would keep adding to the account but it cannot exceed 1% cumulatively. In response to a question from Mr. Gugliotti, Mr. Robertson responded that it depends on the mechanism. Mr. Mala commented that Madison's purpose of the non-lapsing account is for unanticipated special education tuition. Mr. Putnam-Lowry stated that the BOE sends bills to Hartford for special tuition and if Hartford reaches a stage where they cannot pay we are going to have significant unanticipated expenses; we now net bill Hartford. Mr. Gugliotti commented that it cannot be so big to cure a problem or too small for accounting purposes. Mr. Mala noted that if we face an unanticipated expenditure we work within what our appropriation is and been able to do, but the passage of time is incredible from the time we deliver a proposed number to their reality. In response to a question from Mr. Oleyer, Mr. Putnam-Lowry responded that there is always a surplus at the end of the year but try to pre-pay non-recurring expenses, i.e. supplies, low end capital budget items, etc. He noted that there could be approximately \$100,000 left which they try to consume to virtually zero. Mr. Mala referred the Board of Finance to the

Superintendent's proposed budget folder and a section that tracks the past ten years of unexpended balances. In response to a question from Mr. Oleyer, Mr. Mala responded that the BOE requested that he make the request. Mr. Putnam-Lowry noted that the BOE members for this period of time thought it would be a good idea; we put in the request in 2013, it was not acted upon so we waited a few years to submit the request again; if the Board of Finance says no, they might come back in a few years later if they think it is still a good idea. Mr. Oleyer commented that we have under budgeted our Open Choice money the last few years and received significantly more with an appropriation back to the BOE. Mr. Putnam-Lowry agreed. Mr. Mala noted that this request in his opinion is a result of the mitigation plans had in prior years to come up with the money so we did not ask for a supplemental appropriation.

Mr. Harrison asked Mr. Robertson to research this request further and report back to the Board. The Board will not vote on this between now and Friday but noted that the BOE's unexpended balance will be set aside. Mr. Harrison stated that if the BOE operates, does its financing and has money left at the end of the year there should be some recognition and maybe this is the way to do it, but by which method, an Account or Fund? In response to a question from Ms. Durdan, Ms. Colligan responded that we did contact our auditor who stated that the statute language is not clear so look at the scope and what will work for Avon; they work with clients that do this. Mr. Robertson noted that we will reach out to CCM for research assistance. In response to a question from Ms. Durdan, Mr. Robertson responded that Simsbury's financial reporting is combined with two separate questions at referendum and they have a Board of Finance. The Board had a general discussion on how we might further explore the possibility which will be given further consideration at a later date.

VII. TOWN MANAGER'S REPORT

A. Monthly Financial Report Summary

Details were included in the packet report dated period ended 5/31/17 prepared and reported by Margaret Colligan. Under License, Fees, and Permits, for building permit activity we may come in under budget. Under Other Local Revenues, Ms. Colligan noted another Federal Reserve increase in June; we budgeted \$100,000 and collected \$150,000 and in FY 17/18 budgeted a bit more. Under Charges for Services, we are investigating shortfalls Recreation and Board of Education programs and Landfill fees. Pending the outcome of the FY 17/18 State budget, we are looking at liquidating encumbrances and/or dormant capital projects for FY 16/17. Mr. Robertson noted that based on the Governor's second proposed budget the revenue impact to the Town would be about \$1.4 million and the expenditure impact would be about \$2.88 million, although it does not appear that the teacher's pension payment will not happen for FY 17/18 but something will be reduced. Municipal intergovernmental grants for Avon totaling \$539,000 have the most exposure. After July 1st the Governor can use executive authority against line items in the budget and could result in high profile reductions that have a big impact on the public. Mr. Robertson stated that we have talked with Mr. Mala about plans to be proactive.

B. Miscellaneous

Mr. Robertson reported that the Town has again received the Certificate of Achievement for the Financial Report; the Town also receives the GFOA Budget Award. The Board congratulated Ms. Colligan and staff.

VIII. OTHER BUSINESS – No items discussed.

IX. EXECUTIVE SESSION – No items discussed.

X. ADJOURN

On a motion made by Tom Gugliotti, seconded by Cathy Durdan, it was voted:

RESOLVED: That the Board of Finance adjourn the meeting at 8:23 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.