



TOWN OF AVON



60 West Main Street • Avon, CT • 06001-3719
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BUDGET MESSAGE

TO THE BOARD OF FINANCE

MARCH 7, 2019

The proposed fiscal year 2019/2020 Town, Board of Education, Sewer, Capital and Debt Service Budgets are submitted for your review. The proposed budgets total \$95,394,145. This equates to an increase of \$2,474,451 or 2.66%. This proposed budget requires a property tax levy increase of 2.69%. The mill rate would increase from 31.35 to 32.90, or 4.94%, with approximately 2.20% of the mill rate change attributable to revaluation and the remainder attributable to budget increases.

The total proposed budget, not including the operating budget of the Board of Education, but including the Town, Sewer, Capital and Debt Service Budgets is \$34,864,805. This equates to an increase of \$1,328,226 or 3.96% over the current year budget of \$33,536,579. The increase to the Town operating budget, not including Sewers, Capital and Debt Service budgets is 3.45% or \$863,986.

The most significant factors contributing to the proposed increase in the fiscal year 2019/2020 operating budget are related to personal services and are as follows:

- | | |
|--|-----------|
| • Increases in Wages and Salaries | \$373,543 |
| • Increase in funding for Retiree Health Insurance | \$163,753 |
| • Increase in funding for the Defined Benefit Plan | \$157,507 |
| • Increase in funding for Workers Compensation Insurance | \$138,446 |

Revenue details are included in Tab B and Expenditure details are included in Tab C. Revenues and Expenditures are summarized in the following table:

BUDGET MESSAGE

COMPARATIVE ANALYSIS: FY 2018/2019 AND FY 2019/2020 BUDGETS ALL FUNDS

REVENUES

CLASSIFICATION	APPROPRIATED FY 2018/2019	RECOMMENDED FY 2019/2020	\$ INC/(DEC)	% INC/-DEC
Property Tax & Assessments	\$ 82,515,928	\$ 84,750,490	\$ 2,234,562	2.71%
Intergovernmental	3,776,931	3,733,307	(43,624)	-1.16%
Licenses, Fees & Permits	1,032,675	1,032,675	0	0.00%
Charges for Current Services	4,643,206	5,339,108	695,902	14.99%
Other Local Revenues	520,761	528,565	7,804	1.50%
Other Financing Sources (Uses)	430,193	10,000	(420,193)	-97.68%
TOTAL	<u>\$ 92,919,694</u>	<u>\$ 95,394,145</u>	<u>\$ 2,474,451</u>	<u>2.66%</u>

EXPENDITURES

CLASSIFICATION	APPROPRIATED FY 2018/2019	RECOMMENDED FY 2019/2020	\$ INC/(DEC)	% INC/-DEC
Town Operating Budget	\$ 25,029,441	\$ 25,893,427	\$ 863,986	3.45%
School Operating Budget	59,383,115	60,529,340	1,146,225	1.93%
Sewer Operating Budget	2,016,793	2,401,673	384,880	19.08%
Capital & Debt Service Budgets:				
Debt Service	2,755,750	3,746,038	990,288	35.94%
Capital Budget	3,734,595*	2,823,667**	(910,928)	-24.39%
Subtotal: Capital & Debt Service	6,490,345	6,569,705	79,360	1.22%
TOTAL	<u>\$ 92,919,694</u>	<u>\$ 95,394,145</u>	<u>\$ 2,474,451</u>	<u>2.66%</u>

* Includes \$752,000 in Sewer Projects paid by Sewer Fund.

** Includes \$760,000 in Sewer Projects paid by Sewer Fund.

BUDGET MESSAGE

TOWN OF AVON ANNUAL BUDGET FISCAL YEAR 2019/2020 PROPOSED BY TOWN COUNCIL MARCH 7, 2019

	FY 17/18 ACTUAL	FY 18/19 ADOPTED BUDGET	FY 19/20 GENERAL FUND	FY 19/20 SPECIAL REV. & OTHER FUNDS	FY 19/20 REQUESTED BUDGET	DIFFERENCE	% CHANGE	% BY SUBTOTAL	BUDGET BY TOTAL
REVENUES									
Property Tax & Assessments	80,421,575	82,515,928	84,630,490	120,000	84,750,490	2,234,562	2.71%	88.84%	88.84%
Intergovernmental	5,040,049	3,776,931	2,278,650	1,454,657	3,733,307	(43,624)	-1.16%	3.91%	3.91%
Licenses, Fees, & Permits	1,136,285	1,032,675	1,030,175	2,500	1,032,675			1.08%	1.08%
Charges for Current Services	4,401,538	4,643,206	986,750	4,352,358	5,339,108	695,902	14.99%	5.60%	5.60%
Other Local Revenues	994,180	520,761	514,565	14,000	528,565	7,804	1.50%	0.55%	0.55%
Other Financing Sources (Uses)	1,631,917	430,193	-	10,000	10,000	(420,193)	-97.68%	0.01%	0.01%
TOTAL REVENUES	93,625,544	92,919,694	89,440,630	5,953,515	95,394,145	2,474,451	2.66%	100.00%	100.00%
EXPENDITURES									
TOWN									
General Government	3,473,298	3,534,458	3,501,609		3,501,609	(32,849)	-0.93%	13.52%	3.67%
Public Safety	10,865,192	10,736,949	11,178,397	17,634	11,196,031	459,082	4.28%	43.24%	11.74%
Public Works	6,024,095	6,275,896	6,443,445	180,000	6,623,445	347,549	5.54%	25.58%	6.94%
Health & Social Services	517,550	523,010	549,921		549,921	26,911	5.15%	2.12%	0.58%
Recreation & Parks	1,204,274	1,267,833	857,169	410,690	1,267,859	26	0.00%	4.90%	1.33%
Education - Culture	1,662,813	1,683,700	1,720,491		1,720,491	36,791	2.19%	6.64%	1.80%
Conservation & Development	685,684	669,335	688,158		688,158	18,823	2.81%	2.66%	0.72%
Miscellaneous	282,880	338,260	345,913		345,913	7,653	2.26%	1.34%	0.36%
TOTAL TOWN	24,715,786	25,029,441	25,285,103	608,324	25,893,427	863,986	3.45%	100.00%	27.14%
BOARD OF EDUCATION									
Salaries	34,012,493	36,256,049	36,963,959		36,963,959	707,910	1.95%	61.07%	38.75%
Employee Benefits	10,181,286	9,464,656	9,870,882		9,870,882	406,226	4.29%	16.31%	10.35%
Purchased Prf & Tech Services	1,337,743	1,658,204	1,410,948		1,410,948	(247,256)	-14.91%	2.33%	1.48%
Property Services	975,850	778,600	796,286		796,286	17,686	2.27%	1.32%	0.83%
Other Purchased Services	6,458,968	6,526,318	6,835,614		6,835,614	309,296	4.74%	11.29%	7.17%
General Supplies & Utilities	2,610,171	2,305,396	2,198,265		2,198,265	(107,131)	-4.65%	3.63%	2.30%
Equipment	1,019,594	382,519	419,200		419,200	36,681	9.59%	0.69%	0.44%
Fees & Memberships	94,563	106,863	110,395		110,395	3,532	3.31%	0.18%	0.12%
Cafeteria Operation	883,623	1,018,710		1,048,991	1,048,991	30,281	2.97%	1.73%	1.10%
Facility Use	42,142	51,000		40,000	40,000	(11,000)	-21.57%	0.07%	0.04%
Prepaid State & Fed. Grants	923,970	834,800		834,800	834,800			1.38%	0.88%
TOTAL BOARD OF EDUCATION	58,540,403	59,383,115	58,605,549	1,923,791	60,529,340	1,146,225	1.93%	100.00%	63.45%
SEWERS									
Operating Expense	2,877,617	2,016,793		2,401,673	2,401,673	384,880	19.08%	100.00%	2.52%
TOTAL SEWERS	2,877,617	2,016,793		2,401,673	2,401,673	384,880	19.08%	100.00%	2.52%
DEBT SERVICE									
Bonds	2,818,850	2,755,750	3,746,038		3,746,038	990,288	35.94%	100.00%	3.93%
Notes									
TOTAL DEBT SERVICE	2,818,850	2,755,750	3,746,038	-	3,746,038	990,288	35.94%	100.00%	3.93%
OTHER FINANCING USES									
Capital Improvements									
Facilities	2,601,506	2,321,095	890,580	1,019,727	1,910,307	(410,788)	-17.70%	67.65%	2.00%
Equipment	913,000	618,500	121,360		121,360	(497,140)	-80.38%	4.30%	0.13%
C.N.R.E.F.	175,000	795,000	792,000		792,000	(3,000)	-0.38%	28.05%	0.83%
CAPITAL IMPROVEMENT PROGRAM	3,689,506	3,734,595	1,803,940	1,019,727	2,823,667	(910,928)	-24.39%	100.00%	2.96%
TOTAL EXPENDITURES	92,642,162	92,919,694	89,440,630	5,953,515	95,394,145	2,474,451	2.66%	100.00%	100.00%

BUDGET MESSAGE

SHORT AND LONG TERM PROGRAMMATIC GOALS

The proposed fiscal year 2019/2020 Budget reflects the stated **mission** of the Town Council and Board of Finance **to provide quality town services at a reasonable cost to citizens and taxpayers.** The mission and goals are reviewed each year as part of the budget process. Short and long-term programmatic goals are discussed below.

LONG-TERM PROGRAMMATIC GOALS

MISSION

Provide quality town services at a reasonable cost to all citizens and taxpayers.

Long Term Goals

1. **Provide continuity in planning and development, as the community approaches build out, by: using an approach toward guiding growth as it naturally occurs, rather than artificially blocking or stimulating development;**
2. **Ensure long-term fiscal stability and programmatic effectiveness by providing professional management of the Town's programs and finances resulting in effective and efficient delivery of quality Town services at a low tax rate;**
3. **Provide a quality educational system with a caring and supportive learning environment by ensuring both high faculty standards and superior educational facilities, resulting in well-prepared students capable of successfully entering the nation's most competitive colleges and universities as well as competing in today's increasingly sophisticated world;**
4. **Provide a safe, secure and pleasing environment where people can live, work and play in harmony with their surroundings.**

In June 2011, for the second straight year, Hartford Magazine rated Avon the “best” Town in the Hartford Region in the population category of 15,000 to 30,000, as well as the best overall Town in the Capitol Region, which consists of 30 municipalities. In June 2011, Newsweek reported that Avon High School ranked as the 281st best high school in the United States, and was one of five Connecticut high schools ranked in the Top 300. In 2016, Newsweek report that Avon High School ranked as the 116th best high school in the United States and in 2017, Avon Public Schools were ranked #1 in WFSB's 2017 Best School Districts in Connecticut with an A+ for academics and an A+ for teachers.

In 2019, Niche.com ranked Avon #2 on a list of “The Best Places to Live in the Hartford Area.” In 2009, Connecticut Magazine rated Avon fourth statewide in its “Rating the Towns” article. Avon was the highest ranked town in Hartford County.

In 2016 the Town contracted with Great Blue Research to conduct a comprehensive impartial town-wide survey as part of the update to the Plan of Conservation and Development that is required every ten years. Respondents were asked to rate the quality of life in Avon, 93.1% provided a rating of either “excellent” or “good.” These results are similar to those of a comprehensive impartial town-wide survey of Avon residents professionally administered in 2004 by the University of Connecticut Center for Survey Research and Analysis that found that 99% of residents rank Avon's quality of life as good or excellent. A follow-up study of Avon businesses conducted in 2005 in conjunction with the Avon Chamber of Commerce by the same center found that 89% of Avon businesses found Avon a good or excellent place to do business.

BUDGET MESSAGE

						Town Council Goals	
Mission and Goals							
	Page #	Town Mission	Continuity in Planning	Fiscal, Stability/Program Effectiveness	Quality Education	Safe, Secure, Environment	
Town Manager							
Receive a 95%+ rating of Excellent or Very Good on Citizen Satisfaction Surveys.	E5						
Registrars of Voters							
Process in accordance with applicable laws.	E7						
Town Clerk							
Record, index, scan and return original documents within one business day.	E10						
Human Resources							
Manage labor actions and unemployment claims efficiently and effectively.	E12						
Finance							
Participate in the annual GFOA budget award program.	E13						
Meet or exceed all audit deadlines.	E13						
Prepare 100% of budget amendments in accordance with the Town Charter.	E13						
Meet 100% of project goals and deadlines.	E13						
Accounting							
Increase and promote electronic transactions	E14						
Assessing							
Manage the appeal process outside of the court system.	E15						
Collector of Revenue							
Maintain a tax collection rate of 99.00(+)%.	E16						
Police Administration							
Increase recruitment, community outreach and community policing efforts.	F4						
Maintain or reduce the average response time to all calls for service.	F4						
Fire Prevention							
Ensure that detected fire code violations are abated in 90% of all instances without formal legal proceedings.	F11						
Maintain Avon's current ISO Split Rating of 4 - 9	F11						

BUDGET MESSAGE

Town Council Goals						
Mission and Goals	Page #	Town Mission	Continuity in Planning	Fiscal, Stability/Program	Quality Education	Safe, Secure, Environment
Building Inspection						
Issue 95% of all building permits within 2 days of application receipt.	F15					
Conduct requested field inspections within 2 business days for 95% of all requests.	F15					
Maintain an exceptionally low number of appeals (less than 2 per year) taken to either the Building Code Board of Appeals or State Building Official’s office.	F15					
Public Works Administration						
Repair 100% of reported potholes within the statutorily required timeframe.	G3					
Prepare 100% of playing fields for use within two hours of request.	G3					
Respond to 100% of unanticipated snow events within 1 hour.	G3					
Human Services						
Provide vital information or assistance in at least 90% of its cases.	H7					
Parks & Recreation Administration						
Implement Time and Attendance Program for 75% of all employees	I4					
Receive 80-90% of all Program Registrations via On-Line Transactions	I4					
Receive 50-60% of Facility Reservations via On-Line Transactions	I4					
Avon Free Public Library						
Exceed the State’s average circulation/capita and visits/capita.	J3					
Planning and Zoning						
Process 100% of all applications such that there are no appeals on grounds related to procedural defects.	K3					
Administer Town land use regulations in a manner that balances the need for housing, transportation, and economic growth with private property rights.	K3					

BUDGET MESSAGE

TOWN OF AVON STRATEGIC PLANNING DOCUMENTS

Name of Plan	Adoption Date	Purpose
Avon Free Public Library Strategic Plan (2018-2022)	March 2018	This five year plan charts the course for even greater community engagement, responsible growth, and enhanced offerings and services. It serves as a flexible framework to be built upon and amended to reflect and address the challenge of change.
Avon Free Public Library Technology Plan	June 2015	This plan is intended to guide technological development in the Library for the next three years. It will support the library's mission statement, align with our strategic plan, stimulate thought and discussion about the technological needs of our community, and provide structure for planning and budgeting for technology over the next three years.
Avon Public Schools Blueprint for Excellence Strategic Plan (2018-2019)	Dec 2018	To guide overall operations and strategic investments in the Avon Public School Systems.
Business Continuity Plan	Feb 2012	To prepare the Town to restore services to the widest extent possible in a minimum time frame in the event of extended service outages caused by factors beyond our control (e.g., natural disasters, man-made events, etc.)
Commission on Accreditation for Law Enforcement Agencies	Accredited Since 1993	CALEA Accreditation is a national standard and a proven management model that provides Police Departments of all sizes with a dynamic strategic plan that promotes the efficient use of resources and improves the delivery of services.
Comprehensive Energy Management Plan	Oct 2012	To provide a comprehensive action plan for the management of Town and BOE assets, operations, and energy use, including several non-binding "reach" goals with respect to energy use reduction and use of renewables.
Information Technology Plan	Dec 2016	This document identifies goals and objectives for the Town of Avon's Information Technology infrastructure for the next several years.
Natural Resource Inventory & Management Plan	Nov 2009	To guide the management of five properties owned by the Town, including Alsop Meadows Conservation Area, Fisher Meadows Natural Area, Found Land Conservation Area, Huckleberry Hill Conservation Area, and Hazen Park.
Pavement Management Program	Nov 2017	To guide annual resource allocation for prioritizing road improvements and rehabilitation based on objective road condition ratings.
Plan of Conservation and Development	Nov 2016	To guide the Planning and Zoning Commission and the citizens of Avon in making decisions regarding land use, transportation, public services, recreation, open space, natural resources, and housing, over the next decade. An update to the POCD was completed in 2016.
Recreation & Park Facilities Master Plan	Dec 2007	To study expansion of existing recreation facilities and athletic fields and potential development of Town owned parcels for future recreational use and to develop several conceptual recreation plans based upon the report analysis and recommendations.
Roof Asset Management Plan	Nov 2005	To assist the Public Works Department in prioritizing the strategic replacement or improvement of rooftops on all municipal owned buildings.
Waste Water Facilities Plan	Apr 2007	To have a comprehensive document that addresses operations, maintenance, and expansion of the Town's waste water collection system.

BUDGET MESSAGE

Five-Year Financial Forecasting

Understanding the economic environment in which the Town operates is critical to achieving our future priorities. Standard and Poor's and Moody's reviewed the Town's credit rating in February 2016. The Town's AAA rating, originally awarded in 1998, was reaffirmed. The S&P report noted the strength of Avon's economy citing several factors. Likewise, Moody's noted that "Over the longer term, Avon's economic(s) will likely remain stable given its favorable location and strong demographic profile" (2). While Avon's fundamentals are strong, we do recognize the value and importance of long range planning and we have developed a financial forecast.

Financial Forecasting is the process of projecting revenues and expenditures over the long term to identify trends that may have an influence on policies, goals or the provision of services. The following revenue and expenditure projections are dynamic best estimates based on a set of assumptions including economic conditions, historical trends, existing obligations, and other variables. Projections are subject to change based on a myriad of factors including, but not limited to, changes in intergovernmental revenue receipts, the stock of residential and/or commercial property, employee salary and benefit costs, and the expansion or reduction of municipal services, facilities, or infrastructure.

The following matrix contains revenue and expenditure projections for the fiscal years 2020/2021-2024/2025. In general, the Town used an extrapolation method to predict future behavior by projecting historical trends forward. Expenditure and revenue increases were determined using an average of the previous five fiscal years.^{*} For instance, the average growth for fiscal years 2015/2016-2019/2020 was used to project growth in fiscal year 2020/2021. Average growth for fiscal years 2016/2017-2020/2021 was used to project growth in fiscal year 2021/2022, and so on. Existing contractual obligations and trends in intergovernmental revenue receipts were also taken into account, as well as known market trends for personal services items such as health insurance and worker's compensation.

For each fiscal year projected in this forecast, revenues are expected to meet expenditures. If trends continue, the Town should expect an overall average rate of growth of 2.62%, or about \$2.4 million, year over year for Town, Board of Education, Capital and Debt Service Budgets, which is fairly consistent with growth in previous years. It is important to note that this is a status quo forecast, showing that the Town can provide existing services at current levels. It does not account for expanded programming or services, the completion of new capital projects, or the issuance of new debt.

^{*}Note: Board of Education salary line item extrapolated based on six year averages.

BUDGET MESSAGE

TOWN OF AVON FIVE YEAR FINANCIAL FORECASTING - GENERAL FUND FY 2020/2021 - FY 2024/2025

	ADOPTED FY 2018/2019	PROPOSED FY 2019/2020	PROJECTED FY 2020/2021	PROJECTED FY 2021/2022	PROJECTED FY 2022/2023	PROJECTED FY 2023/2024	PROJECTED FY 2024/2025
Taxes and Assessments	\$ 82,395,928	\$ 84,630,490	\$ 87,097,407	\$ 89,448,222	\$ 91,836,770	\$ 94,303,608	\$ 96,764,000
Intergovernmental	2,338,650	2,278,650	2,338,650	2,338,650	2,338,650	2,338,650	2,338,650
Licenses, Fees & Permits	1,030,175	1,030,175	1,046,040	1,061,730	1,078,081	1,094,252	1,111,104
Charges for Current Services	1,029,248	986,750	995,335	1,003,994	1,012,729	1,021,540	1,030,427
Other Local Revenues	501,661	514,565	518,002	521,473	524,977	528,494	532,035
Other Financing Sources							
TOTAL REVENUES	\$ 87,295,662	\$ 89,440,630	\$ 91,995,434	\$ 94,374,070	\$ 96,791,206	\$ 99,286,544	\$ 101,776,215
\$ Inc/(Dec)	71,141	2,144,968	2,554,804	2,378,636	2,417,136	2,495,338	2,489,671
% Inc/(Dec)	0.08%	2.46%	2.86%	2.59%	2.56%	2.58%	2.51%
EXPENDITURES							
Town							
General Government	3,534,458	3,501,609	3,589,149	3,679,237	3,772,182	3,867,051	3,959,860
Public Safety	10,640,077	11,178,397	11,541,404	11,917,112	12,305,980	12,705,592	13,086,760
Public Works	6,095,896	6,443,445	6,641,127	6,845,025	7,055,742	7,257,681	7,431,865
Health & Social Services	523,010	549,921	569,330	589,509	610,493	632,040	651,001
Recreation & Parks	853,703	857,169	878,757	901,022	923,990	947,263	966,208
Education - Culture	1,683,700	1,720,491	1,771,360	1,823,772	1,877,775	1,933,294	1,979,693
Conservation & Development	669,335	688,158	710,346	733,525	757,462	782,061	805,913
Miscellaneous	338,260	345,913	354,535	363,371	372,428	381,710	389,917
TOTAL TOWN	\$ 24,338,439	\$ 25,285,103	\$ 26,056,008	\$ 26,852,573	\$ 27,676,052	\$ 28,506,692	\$ 29,271,218
	1.03%	3.89%	3.05%	3.06%	3.07%	3.00%	2.68%
Board of Education							
Salaries	36,256,049	36,963,959	37,641,732	38,354,308	39,080,374	39,820,185	40,572,786
Employee Benefits	9,464,656	9,870,882	9,943,804	10,192,399	10,447,209	10,708,390	10,976,099
Purchased Professional & Tech Services	1,658,204	1,410,948	2,006,427	2,207,070	2,383,635	2,598,162	2,831,997
Property Services	778,600	796,286	790,318	798,221	802,212	810,234	818,337
Other Purchased Services	6,526,318	6,835,614	7,195,266	7,555,029	7,932,780	8,329,419	8,745,890
General Supplies & Utilities	2,305,396	2,198,265	2,340,092	2,363,493	2,387,128	2,399,064	2,411,059
Equipment	382,519	419,200	429,798	455,586	482,921	511,897	542,611
Fees & Memberships	106,863	110,395	113,371	116,772	120,275	123,884	127,600
Restored BOE Reduction							
TOTAL BOE	\$ 57,478,605	\$ 58,605,549	\$ 60,460,808	\$ 62,042,878	\$ 63,636,536	\$ 65,301,234	\$ 67,026,379
	1.39%	1.96%	3.17%	2.62%	2.57%	2.62%	2.64%
Debt Service							
Bonds	2,755,750	3,746,038	3,567,513	3,394,648	3,314,993	3,236,443	3,160,103
Notes	-	-	-	-	-	-	-
TOTAL DEBT SERVICE	\$ 2,755,750	\$ 3,746,038	\$ 3,567,513	\$ 3,394,648	\$ 3,314,993	\$ 3,236,443	\$ 3,160,103
	-2.24%	35.94%	-4.77%	-4.85%	-2.35%	-2.37%	-2.36%
Other Financing Uses							
Capital Improvements							
TOTAL CIP	2,722,868	1,803,940	1,911,106	2,083,971	2,163,626	2,242,176	2,318,515
	0.63%	-33.75%	5.94%	9.05%	3.82%	3.63%	3.40%
TOTAL EXPENDITURES	\$ 87,295,662	\$ 89,440,630	\$ 91,995,434	\$ 94,374,070	\$ 96,791,206	\$ 99,286,544	\$ 101,776,215
\$ Inc/(Dec)	\$ 989,128	\$ 2,144,968	\$ 2,554,804	\$ 2,378,636	\$ 2,417,136	\$ 2,495,338	\$ 2,489,671
% Inc/(Dec)	1.15%	2.46%	2.86%	2.59%	2.56%	2.58%	2.51%

BUDGET MESSAGE

Town of Avon Goals, Practices and Policies

The Town Council and Board of Finance, in partnership with the management team and outside professionals, collaborate to establish policies and practices that underpin our goals and objectives. The goal of this collaboration is to maintain Avon's AAA bond rating and ensure that prudent fiscal stewardship and best practices are standard operating procedure. The following practices and policies, in conjunction with the adopted mission and goals listed on pages IV through VI of the Budget Message, influence, shape, and direct the Town's approach to financial management:

Operating Management

- Town policy (see pages S.18 – S.21): Cash and investments will be maintained in accordance with the Town Charter and the adopted Investment Policy to ensure that proper controls and safeguards are maintained. This policy does not cover the financial assets of the pension plans.
- Town practice: Identify alternatives to current service delivery models where departments, in cooperation with the Town Manager's office, identify services and activities that could be provided through a more cost effective/efficient method.

Revenue

- Town practice: Revenues will not be dedicated for specific purposes unless required by law or Generally Accepted Accounting Practices (GAAP).
- Town practice: Reliance on State aid and grants are minimal and revenue estimates must be prudently budgeted. Inconsistent or fluctuating grants should not be used to fund ongoing programs.
- Town practice: User fees and charges (i.e.: Recreation Activities Fund, Sewer Fund, Police Special Services Fund) are examined on a cyclical basis to ensure all direct and indirect costs are recovered.

Operating Budget and Expenditures

- Town policy (refer to Town Council Policy No. 3.1): Purchasing Policy establishes a systematic and uniform system for the procurement of service, supplies, materials, equipment and other commodities required by any department, office or agency of the Town other than the BOE. The policy is reviewed periodically to ensure it reflects best practices.
- Town practice: Funding basis is derived from current revenues and fund balances carried forward from the prior year after unassigned fund balance targets are satisfied.
- Town practice: The utilization of a financial operating plan estimating expenditures for providing services, and the proposed means of financing them. A balanced budget limits expenditures to available resources.

Capital Management

- Town practice: Capital Improvement Program, where a five-year Capital Improvement Program (CIP) will be developed and updated annually, including anticipated funding sources. Capital improvement projects are defined as infrastructure or equipment purchases or construction that results in a capitalized asset costing more than \$20,000 with an expected life (depreciable life) of at least five years.
- Town practice: Pay-as-you-go Capital Improvement Program financing is defined as all sources of revenue other than Town debt issuance. The debt service program capacity from the retirement of debt is shifted to the capital pay-as-you-go line items to fund the Capital Budget.

BUDGET MESSAGE

Debt Management

- Town policy (see page S.9): True or Operating Lease Policy establishes criteria when considering a true or operating lease. By allowing the Town to lease rather than purchase, the lease offers more flexibility in terms of adjusting to changes is treated as an operating expense in the income statement and does not affect the balance sheet.
- Town policy (see pages S.10 through S.17): The Debt Policy establishes parameters and guidance to make decisions on capital spending and issuance of debt as a means to fund them. In order to minimize debt service expenditures, the Town shall endeavor to take appropriate actions to maintain its “Aaa/AAA” credit ratings from Moody’s and Standard & Poor’s.
- Town practice: Prior to new debt, the Financial Advisor presents debt modeling and performs analysis showing how new issued and current debt impacts the Town’s debt capacity; conformance with Town debt policies will accompany every future bond issue proposal.
- Town practice: To keep per capita debt at an acceptable level to municipal securities rating agencies.
- Town practice: To retire 50% of debt within 10 years.
- Town practice: Bond interest earnings will be limited to funding changes to the bond financed CIP, or be applied to debt service payment on the bonds issued for Capital Projects.

Fund Balance and Reserves

- Town policy (see page S.22): The Town established a General Fund Unassigned Fund Balance Policy with a goal of 10% Unassigned Fund Balance.
- Town policy (see page S.22): Use of Unassigned General Fund Balance Policy where any use of “surplus” should only be considered after a showing of substantial support for such use by the requesting authority. Approval of any request shall be given upon a finding that such use will meet an extraordinary need or unusual opportunity, and that such use will result in a tangible and significant benefit to the Town.
- Town practice: 10% of annual Special Revenue Funds operating expenditures reserved for unforeseen emergency expenditures.
- Town practice: Self-insurance reserves will be managed in conjunction with a consultant from a qualified actuarial firm who will provide recommendations on appropriate funding levels.
- Town practice: All fund assignments and reserves will be evaluated annually for adequacy and use requirements. As an example Assignment of General Fund Balance, generated from the sale of assets, is assigned and to be used for future capital asset purchases.

Financial Reporting

- Town practice: Submit Town’s Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) Certification of Achievement for Excellence in Financial Reporting Program.
- Town practice: Submit annual adopted budget to the GFOA Distinguished Budget Presentation Program.
- Town practice: Financial reporting on a monthly, quarterly, and end-of-fiscal year basis.

BUDGET MESSAGE

The proposed fiscal year 2019/2020 budget includes the following short-term financial goals and budget assumptions:

I. Fiscal Year 2019/2020 Operating Budget

a. Revenues: (For Details See Tab B)

1. Property Tax and Assessments: The following goals and assumptions have been made in estimating both Property Tax and Assessment Revenues for fiscal year 2019/2020:
 - Grand List Growth (assessed valuation of Real and Personal Property) at the time of budget preparation was estimated at \$2,559,518,826, a decrease of \$56,066,734 or -2.14% due to revaluation.
 - In fiscal year 2019/2020, Supplemental Real Estate revenue is level funded at \$55,750; Supplemental Motor Vehicle tax revenue is budgeted at the 2018/2019 level, \$492,136, for 2019/2020.
 - Assessment Appeals and Tax Refunds will approximate 1% of tax revenues;
 - Property Tax Collections will exceed 98.5% with the reserve for uncollectible at \$505,565; and
2. Licenses, Fees and Permits: Revenues from Licenses, Fees and Permits are level funded at \$1,032,675 year over year.
3. State and Intergovernmental Grants: This category reflects a net reduction of funding in the amount of \$43,624 or -1.16%. This reduction is due to an estimated reduction in the revenues that the Board of Education anticipates receiving through the Open Choice Attendance program. Funding received under this program is a function of the number of participating students coming to Avon schools from other districts. For a more detailed discussion of intergovernmental revenue trends and underlying assumptions please see page B.5. Although Avon receives a small portion of its total revenues from state grants, reductions in these grants do impact Town services.
4. Charges for Current Services: This category reflects a net increase of \$695,902. The most significant increase impacts Sewer Use Charges-Fund #05 in the amount of \$780,173.
5. Other Local Revenues: Net increases in this category equate to \$7,804. The most significant increase in this category is an increase of \$12,904 in revenue expected in the category of Refunds and Reimbursements.
6. Other Financing Sources: As was also the case in fiscal year 2018/2019, there is no budgeted or planned use of General Fund Unassigned Fund Balance in the proposed fiscal year 2019/2020 budget. Due to favorable tax collections, intergovernmental revenues and charges for services in fiscal year 2017/2018, various assignments in the General Fund were approved.

BUDGET MESSAGE

b. Expenditures: (For Details see Tab C):

1. Personal Services:

FY 16/17	FY 17/18	FY 18/19	FY 19/20
\$17,213,938	\$17,907,043	\$18,526,209	\$19,275,207

Personal services wages and benefits comprise 74.44% of the Town Operating Budget.

- a. Wages and Salaries: The total full time employee count remains at 106 positions. Overall wages increased by \$373,543 as compared to fiscal year 2018/2019 representing a 3.49% increase. Specifically, this budget reflects full year funding for a Public Works Maintainer II position that was only funded for a quarter of the current year. This budget also includes full year funding for an additional Public Works Maintainer II, funding for a part-time Recreation Specialist, and funding for a part-time Social Services Assistant. Approximately three quarters of the funding for the currently vacant Director of Human Resources position has been eliminated and the full-time Assistant Assessor position has been reduced to part time. An in-depth discussion on wages and salaries can be found on page C. 4.

b. Benefits:

Benefits continue to be a major part of Personal Services costs. The fiscal year 2019/2020 budget includes:

- An increase (\$157,507, 5.27%), for the tenth year in a row, to the Defined Benefit Plan (closed in 1997). The interest rate has been reduced from 6.75% to 6.50% based on a recommendation of the plan actuary; the reduction accounts for \$68,000, or 43.17%, of the overall Defined Benefit increase. Additional reductions to the interest rate assumptions will likely be required in the future.
- The Town's contribution to the Defined Contribution Benefit Plan increased by \$28,261 due in part to a greater percentage of Town employees participating in this plan.
- Hospitalization funding decreased by \$110,630. The total impact of this line item continues to be mitigated by approximately thirty-two (32) employees opting out of the Plan through the Town's Health Insurance Waiver Program as well as anticipated reductions to the value of the waiver for certain employee groups and increased participation in the Town's HDHP/HSA health insurance plan rather than the traditional PPO. An in-depth discussion of employee healthcare coverage can be found on page C.7.
- The Retiree Health increase of \$163,753 is driven by an annual increase of \$242,000 toward the required OPEB contribution but offset by a -\$78,247 decrease in funding required to support active retirees.
- Worker's Compensation insurance estimated premiums increased by \$138,446, or 55.31% due primarily to industry wide increases in risk assigned to various functions performed by Town employees and an additional adjustment to recalibrate budgeted to actual costs.

BUDGET MESSAGE

2. Supplies and Services:

<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
\$6,025,171	\$6,139,750	\$6,375,982	\$6,526,090

The Services and Supplies portion of the Town's municipal budget totals \$6,526,090 for fiscal year 2019/2020, an increase of \$150,108 (2.35%). In order to efficiently manage the budget, the Town has contracted for private services in the past where analysis shows that this is the most effective way to provide basic services. This approach will be continued and enhanced as appropriate. The increase in cost is due to contractual services including an increase in the operating grant to the Avon Volunteer Fire Department, an increase in the Town's contribution to the Farmington Valley Health District, an increase the value of various grounds maintenance contracts, and an increase in legal services.

3. Capital Outlay:

<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
\$56,409	\$49,805	\$127,250	\$92,130

Capital Outlay includes capital items of less than \$20,000 and/or a life expectancy of less than five (5) years. Capital Outlay represents 0.36% of the operating budget. There are no major capital outlay expenditures recommended for fiscal year 2019/2020.

II. **Capital Improvement Program & Debt Service (For Details, see Tab R)**

Capital Budget and Debt Service Expenditures FY 2015/2016 to FY 2019/2020

<u>FISCAL YEARS</u>	<u>Appropriated 2015/2016</u>	<u>Appropriated 2016/2017</u>	<u>Appropriated 2017/2018</u>	<u>Appropriated 2018/2019</u>	<u>Recommended 2019/2020</u>
Debt-Service	\$3,300,940	\$2,779,790	\$2,818,850	\$2,755,750	\$3,746,038
Capital Improvement Program	\$3,531,172	\$4,410,037	\$3,689,506	\$3,734,595	\$2,823,667
TOTAL	<u>\$6,832,112</u>	<u>\$7,189,827</u>	<u>\$6,508,356</u>	<u>\$6,490,345</u>	<u>\$6,569,705</u>

a. **Capital Improvement Program**

Projects, programs and equipment over \$20,000 and with a life expectancy over five (5) years are included in the Capital Improvement Program. The Town budget reflects a continued emphasis on "Pay-as-you-go" cash funded Capital Improvement Program. (See Tabs O & R for details).

The proposed Capital Budget for fiscal year 2019/2020 is \$2,823,667. The top six Capital Budget Items, not including sewer related projects, are as follows:

Cider Brook Bridge Replacement	\$ 435,000
Road Improvements	\$ 395,307
Reconstruction of Old Farms/Thompson Road	\$ 307,000
RBS Roof Replacement Phase I	\$ 165,000

BUDGET MESSAGE

AMS/AHS Elevator Hydraulic Cylinder Replacement	\$ 130,000
AHS Fire Alarm Supplement – Notification System	\$ 110,000
Total	\$ 1,542,307

b. Debt Service

The Town Debt Service Budget is \$3,746,038, an increase of \$990,288 or 35.94% from the fiscal year 2018/2019 primarily due to anticipated long-term borrowing in the amount of \$6.8 million required to finance two projects that were approved at Referendum in December 2018. For more detail on these projects please refer to page R.2. Approximately 80% of the Town's Debt Service is committed to the Town's support for its educational facilities, while 20% has been allocated for non-educational projects. The decline in debt service reflects the planned retirement of debt. Historically, low interest rates have been advantageous to the Town only when issuing debt; the Town has not been able to take advantage of the interest rate situation from a revenue standpoint. However, given current favorable market conditions, for fiscal year 2019/2020, the Town is continuing to budget \$300,000 in revenue expected from interest income. It is the Town's intent to keep its per capita debt at a level acceptable to municipal securities rating agencies and to retire its debt rapidly.

This approach rewarded the Town in June 1998, with AAA/Aaa ratings from both Standard & Poor's and Moody's (the first such upgrade in Connecticut by Moody's in nineteen years). This rating was reaffirmed by both rating agencies in June 2002, Standard and Poor's in 2005, by both agencies in 2008 and 2009. In October 2012 and 2016 both Moody's and Standard and Poor reaffirmed the AAA rating with a stable outlook.

RESERVES

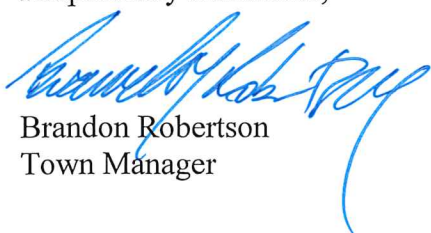
Use of Undesignated General Fund Balance:

The Town's General Fund Unassigned Fund Balance for the fiscal year ending June 30, 2018 amounted to \$9,594,498 or 11.15% of fiscal year 2017/2018 General Fund expenditures and transfers out. The adopted goal of the Town Council is to maintain a level of unassigned fund balance equal to 10% of the current year adopted budget. No use of unassigned fund balance was budgeted for fiscal year 2018/2019 and no use of fund balance has been budgeted for fiscal year 2019/2020.

Budget Message Conclusion

The annual budget process provides the community with the opportunity and means to review past accomplishments and identify collective goals and objectives for the future. The fiscal year 2019/2020 budget process began in August 2018. The energy, time and resources spent in the budget's creation will be reflected in products purchased and services delivered during the next year. Objectives established in years past have been met, revised or reaffirmed. New objectives have been adopted where appropriate.

Respectfully Submitted,



Brandon Robertson
Town Manager

