

**BOARD OF FINANCE
REGULAR MEETING
MINUTES
MONDAY, SEPTEMBER 24, 2012, 7:00 P.M.**

I. CALL TO ORDER

Chairman Thomas Harrison called the Board of Finance meeting to order at 7:00 PM at the Avon Town Hall. Members present: Chairman Thomas Harrison, Margaret Bratton, Catherine Durdan, Dean Hamilton, James Speich and Brian Stoll. Thomas Gugliotti and Bill Stokesbury (Board of Education liaison) were absent due to the mandatory mediation meeting for the teacher contract negotiations. There was the presence of a quorum.

II. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Thomas Harrison.

III. MINUTES OF PRECEDING MEETINGS:

April 11, 2012 Budget Workshop

Section III, page 4, 4th paragraph, 1st line: change to read - Ms. Margaret Bratton said that our town and school budgets should align with the many federal, state and local economic indicators.

Section III, page 4, 4th paragraph, 2nd line: add period after budget, delete “and”

Section III, page 4, 4th paragraph, 3rd line: change to read - She gave special thanks to Gary Mala and their team, because they have tackled some big issues and had some big accomplishments.

Section III, page 4, 4th paragraph, 4th line: delete “people” and change to read - She was pleased that residents

Section III, page 4, 4th paragraph, 6th line: change to read – first major Board of Ed employee one

Section III, page 8, 2nd paragraph, 1st line: move to end of last paragraph on page 7

May 16, 2012 Special Meeting

Section III, page 1, 2nd line: change to read – April 11, 2012

July 23, 2012

Section III, page 1, 1st line: delete apostrophe after negotiations

Section VI, page 4, 2nd paragraph, 7th line: correct spelling - “boing” to “being”

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

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

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

abstained from the May 16 and July 23 vote.

IV. TOWN MANAGER'S REPORT

A. Presentation

Mr. Robertson introduced Mr. Dennis Dix of Dixworks, LLC, our financial advisor. As a consultant Mr. Dix assists with formulating, forecasting and modeling the towns' debt. Mr. Dix discussed where Avon is positioned among the 21 Moody's AAA rated communities in the state on a variety of data points that are looked at by investors and credit rating agencies. He announced that a report was received from Moody's today with their written opinion and awarding Avon an Aaa rating.

Ms. Bratton stated that the Undesignated Fund Balance was at 6.3% in 2000 and at 7.4% in 2010. She asked for the current number. Mr. Dix stated that Avon is currently tracking at 8.1%. 10% is the goal.

Mr. Harrison asked Mr. Dix to comment on an analysis he wrote on the difference between a Aaa versus a lower rating on the Library bond that is about to go out and the resulting cost savings to the taxpayers. Mr. Dix states that interest rates are unbelievably low. Avon would have an average life in the bond issue of 9.4 years. They are normally paid off quicker than the stated life of 16 years. Marketwise we would expect 1.8% as a total average interest cost at the Aaa level. If we look at the Aa, it would be at 2%. The difference is 20 basis points. If you run that through the math it is a savings of about \$133,000 over the life of the bond.

Mr. Harrison thanked Mr. Robertson, Mr. Bartha, Ms. Colligan and Mr. Dix for their hard work in preparing for the Moody's meetings and favorable results.

Mr. Robertson gave a report that is reflected in the slides that are attached to these minutes.

Mr. Stoll requested that Mr. Robertson prepare alternative scenarios for potential budget increases based on Grand List growth projections (both a low and a high estimate) and compensation figures that are coming in after arbitration is complete. What is the potential gap? If we were to, or not to, contribute to Undesignated Fund Balance, how would that affect the gap projections? Mr. Harrison thought it might be premature prior to receiving the Board of Ed teacher numbers but meaningful to the upcoming budget discussions.

Ms. Colligan suggested that a document, Version D2, might be helpful as a beginning framework. She will forward it to Mr. Robertson.

B. Monthly Financial Report Summaries

Ms. Colligan stated that the on site audit will not begin until October, but preliminary numbers indicate favorable revenues in all the categories. All revenues exceed 100% collected with the exception of Other Local Revenues. Her report is attached.

C. Miscellaneous

There was none.

V. COMMUNICATION FROM THE AUDIENCE

There was none.

VI. OLD BUSINESS

There was none.

VII. NEW BUSINESS

12/13-02 Board of Education: Supplemental Appropriation Request,
\$48,901.99 (unbudgeted revenue)

On a motion by Mr. Speich, seconded by Mr. Hamilton, it was voted:

RESOLVED: That the Board of Finance hereby amends the FY 11/12 Budget by increasing:

REVENUES

General Fund, Charges for Services, BOE Employee Bnft Contrib, Dent/Life, Account #01-0340-43505 in the amount of (\$1,159.82); General Fund, Charges for Services, BOE Open Choice Attendance, Account #01-0330-43343 in the amount of \$5,372.00; General Fund, Charges for Services, BOE Misc. General Fund, Account #01-0340-43506 in the amount of \$14,817.97; General Fund, Charges for Services, BOE Food Service Rent, Account #01-0340-43510 in the amount of \$29,871.84, for a total of \$48,901.99.

and increasing

APPROPRIATIONS

General Fund, Board of Education, General Service, Account #01-9401-52185 in the amount of \$48,901.99 for the purpose of recording unbudgeted revenues received to cover Board of Education operating expenditures.

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

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

VIII. EXECUTIVE SESSION

There was none.

IX. ADJOURN

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

RESOLVED: That the Board of Finance adjourn the meeting at 8:52 p.m.

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

Respectfully Submitted,
Thomas A. Gugliotti, Secretary

Attest: Mary Marinello, Clerk

Presentation:

Fiscal Year 2013 & Beyond: Presented to the Board of Finance

September 24, 2012



1

Agenda

- Key Metrics
- Revenues
- Expenditures
- Budget and Mill Rate
- Population Trends

2

Key Metrics – Avon vs. Other AAA’s 21 Municipalities; Four rated AAA by S&P only.

	Avon	Average	Low	High
Population, 2010 Census	18,098	36,403	7,490	122,643
Per Capita Income, 2000	\$51,706	\$48,191	\$25,947	\$82,049
% of U.S. Median	238.39%	202.18%	27.40%	378.28%
% of State Median	179.75%	148.34%	(3.94%)	316.30%
Median Household Income, 2000	\$90,934	\$91,944	\$57,308	\$146,755
2010 Equalized Net Grand List	\$3,372,440,736	\$9,482,756,209	\$1,898,190,023	\$43,381,228,410
FY 09/10 Tax Levy Per Capita	\$3,366	\$3,845	\$2,218	\$6,040
FY 09/10 Equalized Mill Rate	16.31	15.01	6.43	24.96
FY 11/12 Mill Rate	25.04	22.35	10.11	39.44
Equalized Net Grand List Per Capita - FY 09/10	\$206,355	\$291,051	\$117,928	\$719,183
Debt Per Capita (June 30, 2010)	\$2,026	\$3,111	\$964	\$6,437
Property Taxes as % of Total GF Rev: 6/30/10)	89.0	85.3	71.4	92.3
Unassigned FB as % of Total GF Exp and Trans (6/30/10)	7.40%	10.15%	1.31%	16.03%
Owner Occupied Housing Median Values, 2000	\$252,000	\$381,310	\$142,200	\$831,000

Source: Excerpted from August 24, 2012 analysis by Dennis Dix, Avon's Financial Advisor.

3

Fund Balance Analysis

Available Unassigned Fund Balance Criteria (per Standard and Poor's Key General Obligation Ratio Credit Ranges)

Low	Below 0%
Adequate	1% - 4%
Good	4% - 8%
<u>Strong</u>	<u>8% - 15%</u>
Very Strong	Above 15%

How is Avon doing?

- TC Fund Balance Policy, effective December 6, 2011, aims for 10%
- Unassigned Fund Balance (UFB) in FY 10/11 CAFR is 8.53% (accrual basis)
- Estimated Unaudited UFB as of 7/31/12 is 8.12% (cash basis)

Source: Avon's FY 10/11 CAFR and Finance Department's Monthly Financial Report

4

Fund Balance (FB) – 6/30/11 Audit

What comprises Fund Balance?

1. Nonspendable: amounts which cannot currently be spent, including prepaid expenses and amounts held in inventory, e.g. road salt inventory.
2. Assigned: amount which is set-aside for a specific purpose by an authorized governing board, body, or official, e.g. Pension Designation, GASB 54

Beginning FB	\$5,100,539
Net Change in FB	\$2,904,715
Ending FB	<u>\$8,005,254</u>
Components:	
Nonspendable (1)	\$133,724
Assigned FB (2)	\$1,786,555
Unassigned FB	<u>\$6,084,975</u>
Total	<u>\$8,005,254</u>
Designated	\$0

Source: Avon's 2010/11 CAFR

5

Revenues – All Funds All Revenues

■ Property Taxes & Assessments	87.02%	\$68.5 M
■ Charges for Current Services	5.67%	\$4.4 M
■ Intergovernmental	4.99%	\$3.9 M
■ Licenses, Fees & Permits	1.19%	\$936 K
■ Other Financing Sources	0.58%	\$476 K
■ Other Local Revenue	<u>0.56%</u>	<u>\$442 K</u>
	100.0%	\$78.7 M

Source: FY 12/13 Budget Matrix, Adopted May 16, 2012

6

Revenue-The Grand List

- **Oct 2011 Grand List (Total Value of Taxable Property) by category for FY 12/13 Budget**
 - Real estate – 90.7% ← Res. 78.7% / Comm. 11.8% / Other 0.2%
 - Motor vehicles – 6.5%
 - Personal property – 2.8%

Fiscal Year	Percent Increase	Grand List Value
FY 89/90 to FY 98/99	1.905 %	← Decade Avg.
FY 99/00 to FY 08/09	4.478 %	← Decade Avg.
FY 10/11	0.475 %	\$ 2,618,153,660
FY 11/12	0.782 %	\$ 2,638,616,850
FY 12/13	1.117 %	\$ 2,668,107,050
FY 14 (est.)	0.75% to 1.0% growth	

- 0.75 to 1.0% growth = \$500,000 to \$667,000 in new revenue, based on current mill rate of 25.65

Source: Assessor's Office, based on FY 12/13 Budget (Oct. 2011 Grand List)

7

The Grand List - Residential

- **Real Estate - Residential**
 - 78.7% of the Grand List
 - 7,138 Housing Units in Avon in 2010
 - 135 "lots in inventory" approved by PZC
 - 1,000 potential lots (per Total Build Out Analysis)
 - **8,270** Total Housing Units
 - Avon Build Out is currently at 86.31% (est.)

Source: Planning Department and FY 12/13 Budget Matrix

8

Population Trends

Age Group	US Census 2000	US Census 2010 (from 2000)	CtSDC * 2020 (from 2010)
Under 9	2,313	2,184 (-5.6%)	2,313 (+5.9%)
10 to 19	2,044	2,850 (+39.4%)	2,841 (-0.3%)
20 to 49	5,866	5,761 (-1.8%)	5,706 (-1.0%)
50 to 69	3,837	5,110 (+33.2%)	5,710 (+11.7%)
70 +	1,597	2,193 (+37.3%)	2,570 (+17.2%)
Total Pop.	15,657	18,098 (+15.6%)	19,140 (+5.8%)

* Connecticut State Data Center at the University of Connecticut

Source: Bureau of Labor and Statistics & CtSDC (March 2007 Report)

9

Avon Center

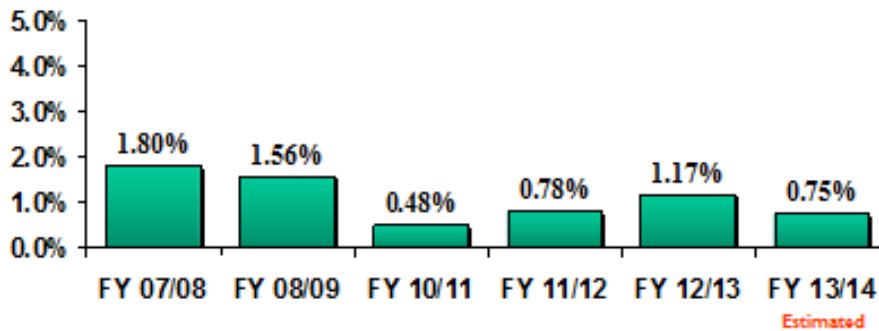
- Ensign Bickford (EB) owns 90 vacant acres in Avon Park North
- PZC recently approved EB's master plan – designed to make the Center a more vibrant and pedestrian friendly place
- Plan calls for mixed use, including
 - 400,000 SF of commercial development (retail, office, restaurants) and
 - 400 residential units (multi family)
- Could result in 5 to 10 years of growth in the Center and generate between \$1.7 million and \$2.5 million in new revenue

Source: Planning Department & Assessor's Office

10

Grand List Annual Growth

**0.75% Estimated Increase
Tax Revenue \$500,000 estimated**



Note: FY12/13 Budget Year = October 2011 Grand List

Oct. 2008 Grand List for FY09/10 (Reval Year) is not depicted; increase that year was 15.21%.

Source: Annual Budget Matrices (FY 08/09 to FY 12/13) and Assessor's Office

11

Revenue: Looking Ahead

- Grand List growth of 0.75% per year will yield approx. \$500,000 in additional revenue per year.
- In fiscal year 2012/2013, non-property tax revenues (Intergovernmental, Licenses, Fees & Permits, Charges for Current Services, Other) totaled \$10.29 million, have been consistently flat over the past few years, and are anticipated to remain so.
- A 2.5% increase in FY 13/14 would require new revenue of approximately \$2.0 million.
- Projected new revenue (\$500,000) as a percent of the FY 12/13 Budget (\$78.7 million) is 0.6%.

12

Intergovernmental Revenue 2012/2013

■ ECS	\$ 1,232,688
■ Excess Cost (Sp. Ed.)	\$ 707,487
■ IDEA 611 Part B	\$ 568,555
■ Open Choice Attendance	\$ 340,812
■ Manufacturing Transition Grant (PILOT)	\$ 213,211
■ School Cafeteria	\$ 131,045
■ Town Aid Roads	<u>\$126,454</u>
	\$ 3,925,800

Source: FY 13 Budget Section B (Revenue), Page B.42

13

Adopted Budget

	Adopted 2012/2013	\$ Change Prior	% Change Prior
Town			
Operations	\$ 20,063,046	\$ 510,566	2.61 %
Sewer	\$ 1,752,526	\$ 43,319	2.53%
Debt Service	\$ 4,546,338	(\$ 261,851)	(5.45%)
CIP	\$ 1,772,783	\$ 355,926	25.12%
Education	\$ 50,595,100	\$1,174,180	2.38%
TOTAL	\$78,729,793	\$1,822,140	2.37%

Source: FY 12/13 Budget Matrix

14

Fiscal Year 2013 & Beyond:
Presented to the Board of Finance

September 24, 2012



15