FINANCE COMMITTEE MEETING
MINUTES OF
AUGUST 21, 2018

BCSD: Valerie Henning-Piedmonte, Victor Karlsson, Michelle Gosh, Susan Morgan
BoE: Kerri Cunningham
Community Members: Eric Larca, Scott Seaman
Absent: Kristin Cacal, Denise Harrington-Cohen, Karyn Bridges

Meeting began at 8:12am.

Victor informed the committee that the purpose of the meeting was to review the 2018-19 Tax Warrant, assessed values, and tax rates in advance of the Board of Education's adoption of the Tax Warrant. He began by reviewing the five-year Tax Levy history, which have averaged 1.9%. The 2018-19 Tax Levy increase is 2.2% and is in compliance with the "Tax Cap". The District has been at or below the "Tax Cap" for each of the seven years since the "Tax Cap" legislation came into effect.

Victor defined the relevant factors included in the tax rate setting process, which include homestead/non-homestead, assessed value, equalization rates, and exemptions. He reminded the committee that the Town of Carmel underwent a re-assessment to "full value" in 2017-18, which eliminated the need for equalization rates in 2018-19 since now all three towns (Carmel, Patterson, and Southeast) are assessed at full value.

He also explained that multiple agencies play a role in the tax rate setting process:

- Each town controls assessed values
- State controls state aid, STAR, equalization rates, and the "Tax Cap"
- School District controls the tax levy

Beginning with the Tax Levy component, Victor explained that if there were no changes to the tax base from the prior year, then each taxpayer's bill would simply increase by the 2.2% Tax Levy increase. However, he stressed that this <u>never</u> happens and that there are frequent changes to assessments of the properties within the tax base. He added that any change in assessment for one property impacts the tax bill of all other properties.

The breakdown of the Tax Levy distribution by municipal segment is as follows:

Carmel Homestead: 0.2%	Patterson Homestead: 13.8%	Southeast Homestead: 49.5%
Carmel Non-Homestead: 0.9%	Patterson Non-Homestead: 2.8%	Southeast Non-Homestead: 32.8%

Victor reviewed the changes to assessed values, which were reported by the Assessors of each of the three towns. On <u>average</u>, assessed values increased by 2.3% district-wide, but if any one municipal segment's assessment varied from the average, there would be an impact on the tax rates. He added that in general, assessed values and tax rates have an inverse relationship so that an increase in assessed value would limit, or even decrease, the tax rate.

He further explained that Homestead/Non-Homestead apportionment is in place to protect commercial businesses and not overburden them with taxes, which is important to keep them operating within the tax base. Eric expressed concern about overburdening commercial businesses, and was pleased that Homestead/Non-Homestead apportionment is in place. Valerie added that Payment in Lieu of Tax (PILOT) agreements also impact changes to assessments because as the agreements expire, the properties become fully taxable and absorb a portion of the tax burden.

Next, the unaudited (not yet final) results of operations were reviewed, and Victor was pleased to note that the actual decrease in fund balance was just $650K which is an improvement from the estimate prepared for the month-ended March 31st. Victor reminded everyone of the committee's previous decision to make an additional $800K principal payment on outstanding debt, utilizing a portion of the surplus that was realized for the year-ended 6/30/17. Absent this payment, the net change in fund balance would have been an increase of just $150K, which Victor equated to break-even operations given the District's $95M budget. He reiterated that the District's budget is built to break-even, despite required contingency which is available for unanticipated expenditures. Actual 2017-18 expenditures represented 98.6% of budgeted expenditures and actual 2017-18 revenues represented 98.0% of budgeted revenues.

A five-year history of Reserves were reviewed, and descriptions of the purpose, liability, and recommended funding levels were provided. Scott noted the trending increase in the Employee Benefits Accrued Liability Reserve (EBALR) to which Victor explained that the liability associated with that reserve is in excess of $4M. In other words, the reserve us funded at approximately 50% of the liability. Scott then asked if there was a statutory limit on the reserve, to which Victor responded that the reserve can be funded up to 100% of the liability. The reserve is available to fund separation payments for retiring employees entitled to compensation for accumulated sick time in accordance with their collective bargaining agreements. Finally, the Unreserved Fund Balance for the year, which is the amount available for emergency use, is $3.8M. This is the maximum amount allowable based on our 2018-19 budget amount.

The committee discussed ways in which to better inform the community of the District's budget and Valerie recommended "Budget 101" workshops be held in advance of the budget season. The workshops will cover various topics, such as 1) State Aid & Other Revenues, 2) "Tax Cap", 3) Salary & Benefits, and 4) Debt & Financing.

The next Finance Committee meeting is scheduled for Tuesday, December 11th at 8am to review the materials prepared for upcoming "Budget 101" workshops. The following meeting is scheduled for Tuesday, June 11, 2019 at 8am to review the estimated fund balance at year-end and recommend Reserve allocations for approval by the BoE at the June 25, 2019 meeting.

Meeting adjourned at 8:54am.

Respectfully submitted,

Susan Morgan