

August 20, 2019 Finance Committee Meeting Minutes

Attendees: Kerry Cunningham (BoE), Scott Seaman (BoE), Eric Larca (Community Member) Donna Dougherty (Community Member), Laurie Bandlow, Victor Karlsson, Elena Nash-Graham, Susan Morgan

Presenters: (None)

Meeting began at 8:02am.

Victor informed the committee that the purpose of the meeting was to review the Tax Warrant and updated Fund Balance projection. He began by reviewing historical Fund Balances over the past 10 years, which have been stable and consistent. The goal each year is to break even, but revenue and/or expenditure variances can create a surplus or deficit each year. In 2018-19, positive revenue variances (ie: interest revenue) and expenditure variances (ie: health insurance) created an initial operating surplus of \$1M. At the June 4th Finance Committee meeting, it was recommended that this surplus be transferred to the Capital Fund to begin funding the JFK HVAC Installation Project approved by the voters in May 2019. After this transfer, the net change in Fund Balance FYE 2019 was just \$20K.

The Tax Warrant was discussed next, beginning with a review of the five-year Tax Levy history, which has averaged 2.5% per year in spite of the 2019-20 Tax Levy increase of 4.1%. Victor reminded the Committee that this was due to the effect of the Algonquin Natural Gas Transmission Station which increased the "Tax Cap" in 2019-20. The District has been at or below the "Tax Cap" for each of the eight years since the "Tax Cap" legislation came into effect.

Next, Victor described changes to the State's School Tax Relief (STAR) program which requires certain homeowners (and encourages others) to switch from an *exemption* on their school tax bill to a *credit refund check*.

The factors included in the Tax Rate setting process were discussed, which include Homestead/Non-Homestead apportionment, Assessed Values, Equalization Rates, and Exemptions. Victor explained that multiple agencies are responsible for each factor::

- Towns control Assessed Values
- State controls State Aid, STAR, Equalization Rates, and the "Tax Cap"
- School District controls Homestead/Non-Homestead apportionment and the Tax Levy (community also controls the Tax Levy through the budget vote)

Beginning with the Tax Levy component, Victor explained that if there were no changes to any of the other factors, then each taxpayer's bill would simply increase by the 4.1% Tax Levy increase. However, he stressed that this never happens and that there are often many 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: <1%	Patterson Homestead: 14%	Southeast Homestead: 51%
Carmel Non-Homestead: <1%	Patterson Non-Homestead: 3%	Southeast Non-Homestead: 32%

Victor reviewed the changes to Assessed Values, which were reported by the Assessors of each of the three towns. On average, Assessed Values increased by 3.2% district-wide, but if any one municipal segment's assessment varied from the average, there would be an impact on 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. Conversely, a decrease in Assessed Value would likely increase the Tax Rate.

Homestead Tax Rates increases in Carmel, Patterson, and Southeast are 1.1%, 1.1%, and 1.3%, respectively. Again, the Tax Rate increases were limited due to increases in Assessed Values.

The next Finance Committee meeting is scheduled for Tuesday, June 9th at 8am to review the estimated Fund Balance at year-end and recommend Reserve Fund allocations for approval by the BoE at the June 23, 2020 meeting.

Meeting ended at 8:44am.

Respectfully submitted,

Susan Morgan