

Budget Drivers Narrative 2018-2019

The proposed fiscal year 2018/2019 budget displays salaries as the major driver influencing the \$1,172,196.91 increase from the prior fiscal year. In general, salaries and benefits make up 80.0% of the District's annual operating budget. Transportation and tuition each share 5.0% of the total budget, followed by contracted services, utilities, supplies, equipment and all other line item expenditures.

The Avon Board of Education and the Town of Avon have seen annual health insurance increases ranging between 5.5% and 6.1% over the last five years. Following an extremely favorable 12 month health insurance activity trend between the months of October 2016 and September 2017, the Town of Avon health insurance consultant recommended a negative premium increase of -4.35% for the upcoming fiscal year. This major adjustment in claims experience for the Town can be directly correlated to the Board of Educations negotiated shifts to a high deductible health plan with several affiliated employee groups. The drastic reduction to premium costs provided a positive variance of approximately \$441,200.00 in potential employer health insurance contributions in the 2018/2019 fiscal year. Some 357 Board of Education employees will see a -4.35% reduction in health insurance premiums for the upcoming fiscal year, making this positive change in utilization habits rewarding for all.

The Town of Avon investment retirement accounts are overseen by the Ad Hoc Pension Investment Advisory Committee. The Board's commitment to continually fund the related Town of Avon Pension Plan has allowed for a 79.2% funded ratio as of the July 1, 2017 valuation. Due to the changing investment climate and the fiscally conservative views of the Ad Hoc Pension Investment Advisory Committee, the interest rate assumption was reduced from 7.00% to 6.75% for the valuation period. Additionally, a new development for the 2017/2018 budget, was to fund the actuarially determined amount for the Board of Education OPEB (Other Post Retirement Benefits) account. As of October 31, 2017 the value of the OPEB account was reported as \$1.3 million dollars. The 2018/2019 budget includes \$698,616.00 for an employer pension payment and \$620,355.00 for OPEB obligations, thus sufficiently maintaining funding practices for each account.

Transportation has remained relatively flat due to a reduction in anticipated special education transport needs combined with a negotiated fixed increase of 1.774% annually for the next six years of the contract. Moreover, estimated special education tuition costs have been reduced. Though the percentage increases in both categories are down from the prior fiscal year, the total projected expenditures are \$6,027,672.46, thus making these categories a significant driver of the annual operating budget.

During the fall review of property, liability and workers compensation insurance coverages with the Town's consultant, it was determined that the distribution of workers compensation premium was inequitable between the Town and Board of Education. The proposed 2018/2019 budget attempts to correct this unbalanced burden, thus a total of \$231,314.27 has been included for workers compensation insurance premiums, an increase of 57.13%. Other insurance coverage continues to rise on average 5.0% to 6.0% annually.

The latest building replacement values issued by The Travelers are as follows:

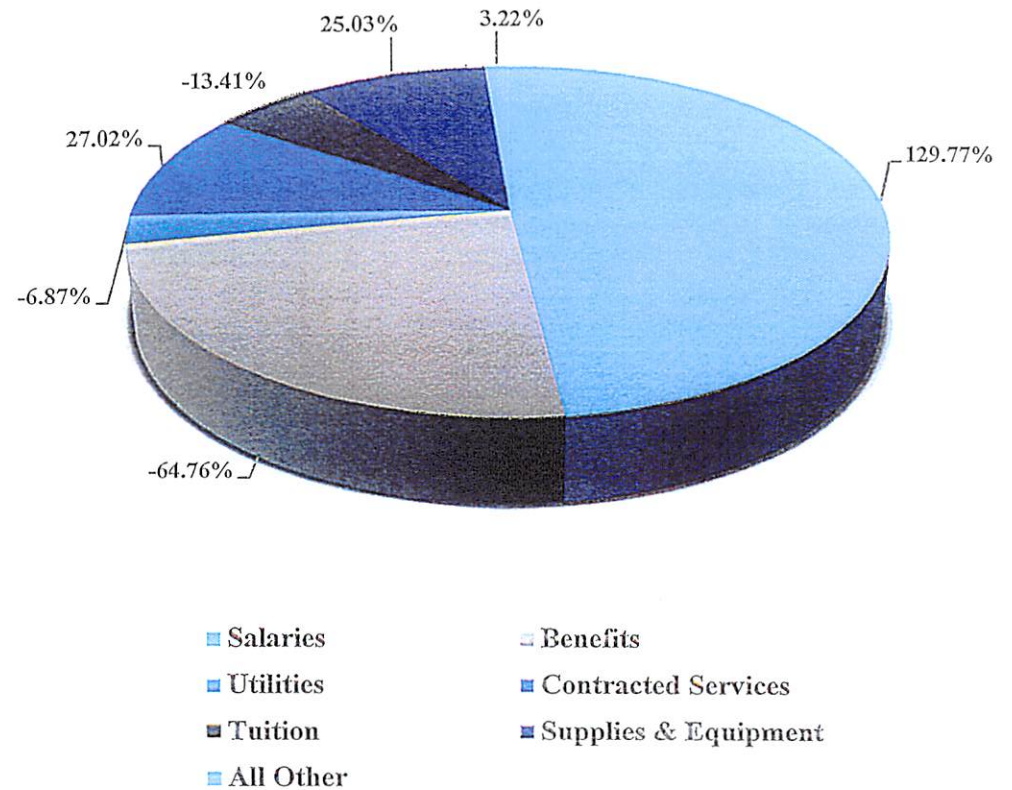
Location	Replacement Value (as of 7/1/2017)	Square Footage
Avon High School	\$61,182,660	220,979
Avon Middle School	\$34,115,226	109,529
Thompson Brook School	\$22,217,538	95,017
Pine Grove School	\$19,033,812	85,090
Roaring Brook School	\$16,440,360	75,000
Central Office	\$1,616,292	11,011
<i>Total</i>	<i>\$154,605,888</i>	<i>596,626</i>

In addition to the above expenditure drivers, the District also utilizes a variety of contracted services, the most notable being substitute coverage for teachers, paraeducators and secretaries provided by Kelly Educational Staffing. The fiscal year 2016/2017 realized an increased substitute fill rate for all vacancies of 91% as compared to the prior year rate of 88%. Teacher vacancies requiring a substitute decreased from 3,760 recorded in 2015/2016 to 3,417 recorded in 2016/2017. Conversely, Paraeducator vacancies requiring a substitute increased from 932 recorded in 2015/2016 to 999 recorded in 2016/2017. The documented data is positive, therefore, a modest 3.0% increase to the contracted services substitute line has been requested for fiscal year 2018/2019.

Percentage of Increase by Category

Fiscal Year 2018/2019

Category	18/19 Budget	Percentage
Salaries	1,521,114.64	129.77%
Benefits	(759,114.37)	-64.76%
Utilities	(80,519.00)	-6.87%
Contracted Services	316,737.41	27.02%
Tuition	(157,173.43)	-13.41%
Supplies & Equipment	293,357.81	25.03%
All Other	37,793.85	3.22%
Total Gross Budget Increase	1,172,196.91	2.08%



Budget Drivers Yearly Comparison *FY 2016/2017 through 2018/2019*

