

Minutes

Town of Norwich Finance Committee Meeting Tuesday, January 10, 2010 Tracy Hall, Norwich, Vermont

Members present: Stephen Lajoie (Chair), Cheryl A. Lindberg (Vice-Chair and recorder of these minutes), Keith Moran, Dan Weintraub, Robert Mitchell and Ann Sargent

Members absent: Stephen Flanders (Secretary and editor of the minutes)

Also Present: Sarah Nunan, Sharon Racusin, Roger Blake, Dennis Kaufman, Pete Webster (Town Manager), Jim Kenyon, and Neil Fulton

Chair Lajoie called the meeting to order at 3:05 pm.

Agenda Items Discussed

1. Review/Amendment of Agenda:

Lajoie noted that the Norwich Energy Committee (NEC) would not be attending the meeting, thus we can remove that agenda item. In place of this agenda item would be a presentation by Dennis Kaufman regarding the CLA.

2. Review/Approval of Minutes:

Lajoie asked for comments on the minutes of the meeting of 15 December 2009. Flanders noted a few editorial changes in the final version.

Motion: Sargent moved and Moran seconded that the 15 December 2009 minutes circulated to the NFC be accepted as drafted.

The motion passed unanimously.

3. Public Comments: There were no public comments.

4. CLA update:

Dennis Kaufman, on behalf of the Board of Listers, provided a written document to the NFC (Appendix A). This is a memo to the Norwich Selectboard explaining the Listers' basis for the appeal of the Town of Norwich CLA. The memo notes that the Lister's believe the State of Vermont has calculated the CLA differently. There will be a meeting with the District Advisor Mr. Tobin to discuss these changes. Discussion and questions followed.

- A 1% increase in the CLA will reduce the amount of taxes to be collected by \$129,000.
- The Lister's target for the CLA is 95-96 or a 4.5 to 5.0 increase in the CLA resulting in the reduction of taxes by approximately \$580,000.00.
- On January 15, 2010 all the CLAs will be put on the State's website.
- A Town is ordered to do a town-wide reappraisal when the CLA is <80% AND the Coefficient of Dispersion (COD) is >20%.

5. Town Budget:

A discussion of the Town budget was next. A summary of the discussion follows.

- Weintraub stated that taxpayers have said to him that they would like a reduction of budget on “stuff,” such as the contribution to the reserve fund for a Police SUV. Webster responded that he wants to keep the capital plan on track.
- Lindberg clarified the budget decrease as being 4% or more of non-recurring items and 3.5% or less of real expenditure reductions. Webster confirmed the 7.5% proposed budget as roughly 4% of non-recurring items and 3% as overall reductions.
- Level of services was mentioned. Should these be paid by everyone or only by those that want them (e.g. house checks by the police department; bags for pet poops; higher fees for Recreational programs). Demographics will affect the cost of living in town.

The NFC written report might include the following:

- The Town should not look at “business as usual” and needs to plan for the next decade, not just this year; need to change the paradigm; what services could be reduced for charged for to change the costs to the Town; need to review undesignated fund balance impact.
- On the revenue side, what else is there to consider other than property taxes?
- Unsettled union contract at budget time; employees have done a good job responding to budget cuts and it is appreciated that they have agreed to not accept a pay increase, though the benefits are a plus
- Regular and recurring budget is down 3.5%, not 7.5%
- CLA effect is not a factor for Town tax rate calculation; change the way we fund schools and towns, because the revenue from the State and Federal governments won't be there; in the intervening time, economy continues to change and we might not support the current budget because of the cost

6. School Budget:

Referring to a memo from John Aubin, Assistant Superintendent for Business of SAU #70 (Appendix B), discussion ensued with the following highlights:

- Compounded by the State increase in the Statewide Education Tax Rate and the lowering of the Town's CLA, the “equalized pupils” number has dropped, thus increasing the per pupil expense. This leaves us slightly below the “excess spending threshold”.
- Analysis of proposed budget reflects much of the reduction in expenditures related to non-recurring items (e.g. no debt payment, no contribution to the special education reserve, lower amount of construction aid revenue).
- It is felt that a whole new view on spending is needed and until the voters say “NO”, there is no need for the School Board to lower the budget.
- The contract negotiations are not completed, but if salaries and benefits are out of step with reality, there will be a serious concern.

- It was asked that if the leadership of the SAU did not forego salary increases, so why should the teachers?

The NFC needs to ask some follow-up questions of John Aubin at the meeting coming up Wednesday morning, January 13th at the SAU Office in Hanover, NH.

7. Adjournment

Motion: Sargent moved and Moran seconded that the committee adjourn.

The vote was unanimous.

Adjourned at 6:10 PM.

Upcoming meeting dates (4:30 PM in Tracy Hall):

Tuesday, January 12, 2010 (Subject to cancellation)

Tuesday, January 26, 2010 (Special meeting)

Tuesday, February 16, 2010

Tuesday, March 16, 2010

Appendix A: Norwich Board of Listers Memo

Norwich Board of Listers
Post Office Box 376
Norwich Vermont 05055-0376
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listers@norwich.vt.us

To: The Norwich Selectboard
The Norwich Finance Committee

Re: The Education Tax Rates & the CLA

Dtd: 10 January 2010

On 22 December 2009 Norwich received the most recent "Certified Equalized Education Property Value (Effective 1/1/2010)" (EPPV) from the Division of Property Valuation and Review (PV&R), Vermont Department of Taxes. This document shows the steps that PV&R uses to determine the Common Level of Appraisal (CLA) for Norwich that will become an important number used in computing the Educational Tax Rates (both Homestead and Non-residential) for Fiscal Year 2011.

The present CLA as computed by PV&R is 91.40%. The Norwich Listers believe that this number is incorrect and have asked the Norwich Selectboard to appeal this decision to PV&R. The Selectboard has written a letter of appeal, which has been received by PV&R and a hearing will be scheduled shortly. It is vital that this hearing and a subsequent favorable outcome occur before the Town sends out the first tax bills in July, so as to avoid saddling the Norwich taxpayers with an undue burden.

On 8 January 2010, the Valley News published an article stating that "Norwich's School Tax Rate May Increase 17 Percent". If nothing is done either at the school budget level or the CLA, it is true that a 17% increase in school tax rates is expected. The article goes on to quote John Aubin stating that the CLA accounts for 50% of the tax increase. Either Mr. Aubin is misinformed or more likely the writer misunderstood. At present with a CLA of 91.4%, the CLA accounts for about 50% of the increase in the school portion of the calculation. However, a 91.4% CLA does represent 37.74% of the present total increase. All else remaining the same a 1.0% increase in the CLA would reduce the CLA contribution to the increased tax rate to 33.01%. If PV&R will recalculate Norwich's CLA, then for every 1.0% increase approximately \$129,000 will not be collected from Norwich's taxpayers.

To this end the Norwich Board of Listers recommends that the Selectboard appoint the Town Manager as case manager and employ Attorney Charles Merriman to present the appeal.

There are two reasons for the listers requesting the hiring of an attorney, specifically this attorney, and they are:

1. Mr. Merriman was until a few years ago the State's Attorney for the Division of Property Valuation and Review, and as such demanded and received the respect of the staff and particularly the Director, Bill Johnson.
2. Mr. Merriman knows the appeal process and more importantly the methods used by PV&R in calculating the CLA.

Without going into a long dissertation about the algorithm used by PR&R to calculate the CLA, note that the CLA equals the EEPV divided into a town's latest grand list. It is how the EEPV for this year (2009 Grand List) is arrived at that is being questioned. The EEPV is computed by comparing a town's valid sales to the assessed values of the sale properties thus arriving at an equalization ratio for each of the 15 categories of properties. Where there are not enough valid sales in any particular category, several categories are combined and a ratio is assigned to that group. The total estimated and real sale values are then added together and divided into the sum of the assessed values for the sale properties thus arriving at the CLA.

The basis for this appeal is as follows:

1. PV&R used individual grand list assessments that are out of date and therefore wrong.
2. PV&R has refused to accept the town's contention that properties had changed prior to sale and are therefore either invalid sales according to PV&R rules for exclusion or should be compared to updated assessments.
3. PV&R has refused to accept the town's insistence that a whole category (Commercial) was reassessed in 2008.
4. PV&R has chosen to include in this year's calculation sales that had been exclude in previous years and use 15 month old assessed values.
5. PV&R has included at least one sale that was a subdivision which should have been excluded according to PV&R rules for exclusion.

As an example of the first instance (#1) above, there was a sale that occurred on 22 December 2008. The Norwich Town Clerk sent to the Tax Department a document called the Property Tax Transfer Return (PTTR), which correctly included the 2008 grand list for this parcel. The 2008 grand list for this parcel did appear on the equalization study that the listers went over with Bill Tobin, PV&R District Advisor this past autumn. Between 2005 and the date of sale this

property had changed and the listers reassessed it eight months prior to the sale. This resulted in the 2008 grand list for this parcel, yet PV&R in the 22 December 2009 determination of the CLA used the 2007 grand list assessment. PV&R did the same four other times in this CLA determination. To the best of the listers combined knowledge PV&R had never done this before. There is only one way that this sort of number substitution could have happened and that is intentionally. A change of this sort does not happen without human intervention, PV&R computers are not that sophisticated.

The enclosed Excel spreadsheet is interactive, and will assist you, should you request a digital copy, in seeing what a difference to the tax rates can be accomplished with changes in the number of equalized pupils and the CLA. The numbers are approximate because of rounding and in one instance an incorrect number (the estimated Non-Residential tax rate) was used in the school district version.

Dennis Kaufman, Norwich Board of Listers

Norwich School District
2010-11 School Year
Estimated Tax Rate Calculation

Estimated Tax Rate Calculation

Current values	Item	Estimated 2010-11	Actual 2009-10	Change	% Change
	1 Marion Cross School	\$ 4,651,504	\$ 4,676,506	\$ (25,002)	-0.53%
	2 plus Dresden Assessment	\$ 6,071,459	\$ 6,154,937	\$ (83,478)	-1.36%
	2a Total Expenditures	\$ 10,722,963	\$ 10,831,443	\$ (108,480)	-1.00%
	3 Less Revenues and Fund Balance (excl Voc Aid)	\$ 1,218,606	\$ 1,764,135	\$ (545,529)	-30.92%
	4 equals Education Spending	\$ 9,504,357	\$ 9,067,308	\$ 437,049	4.82%
610.61	5 Estimated equalized pupils		632.76	(22.15)	-3.50%
Calculation of Excess Spending Obligation	6 Adjusted ES/Eq Pupil	\$ 15,565	\$ 14,330	\$ 1,236	8.62%
	6a Net Debt per Eq Pupil	\$ 1,358	\$ 1,521	\$ (163)	-10.72%
	7 Adjusted ES/Eq Pupil for purposes of Excess Spending	\$ 14,207	\$ 12,809	\$ 1,399	10.92%
	8 Excess Spending Threshold Per Pupil spending above/(below)	\$ 14,549	\$ 13,752	\$ 797	5.80%
	9 Threshold	\$ (342)	\$ (943)	\$ 602	-63.78%
	10 Per Pupil figure for Calculating District Adjustment	\$ 15,565	\$ 14,330		
	11 Base Amount	\$ 8,544	\$ 8,544	\$ -	0.00%
	12 District Spending Adjustment	182.179%	167.717%	14.46%	8.62%
	13 Statewide Ed Tax Rate	\$ 0.882	\$ 0.86	\$ 0.0220	2.56%
	13a Equalized Homestead Tax Rate	\$ 1.6068	\$ 1.4424	\$ 0.1644	11.40%
91.40%	14 Common Level of Appraisal	92.40%	97.07%	-4.67%	-4.81%
	15 Estimated nominal Tax Rate	\$ 1.7390	\$ 1.4859	\$ 0.2531	17.03%
	16 Income Sensivity Percentage	3.37%	3.02%	0.35%	11.45%
	17 Non Residential Tax Rate	\$ 1.372	\$ 1.35	\$ 0.02	1.63%
	18 Divide by CLA	92.40%	97.07%	-4.67%	-4.81%
	19 Nominal Non-Residential Tax Rate	\$ 1.4848	\$ 1.3907	\$ 0.0941	6.77%

A	Total Homestead Tax Rate change 2010-11	Nominal Tax Rate	School Portion	CLA portion
B	FY 2010	\$ 1.4859		
C	Fy 2011	\$ 1.7390		
D	DELTA	\$ 0.2531		100.00%
E	increase	17.03%	66.94%	33.06%

	2010 Grand List	EDU tax rate	Taxes Paid
F	Total Grand List	\$ 700,000,000	
G	% Homestead Grand List	88.01%	\$ 1,7580
H	% Non-Residential	11.99%	\$ 1,4989
I	CLA from PV&R	91.40%	
J	Total EDU taxes paid		\$ 12,088,537
K	INCREASE CLA BY 1.0%	92.40%	
L	% Homestead Grand List	88.01%	\$ 1,7390
M	% Non-Residential	11.99%	\$ 1,246,233
N	Total EDU taxes paid		\$ 11,959,558

O	Total change in Norwich Education Tax dollars collected because of a change in CLA and/or a change in the number of Eq Pupils; a positive number = savings.	\$ 129,000
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Appendix B: John Aubin Memo (Page 1 only—other material may be found on the SAU 70 website.)

SCHOOL ADMINISTRATIVE UNIT #70
Dresden, Hanover, and Norwich School Districts

Memorandum

To: Norwich School Board
Wayne F. Gersen, EdD Superintendent
Linda Kelley, EdD, Principal

From: John P. Aubin, Assistant Superintendent for Business

Re: Budget Changes

Date: January 7, 2010

Subsequent to the finalizing the proposed budget document we became aware of four budget changes as follows:

- The "final" common level of appraisal was issued by the State of Vermont Department of Taxes. The Tax Department issued the CLA at 91.4%, five percentage points less than the amount we had been using as an estimate. The new CLA implies that properties in Norwich grew in value by 5.7% between April 2008 and April 2009. By itself, this change increases the estimated tax rate by seven percent.
- We received notice that the IDEA B grant for 2010-11 will be about \$80,000 greater than we had anticipated. We are proposing here to apply the additional grant amount to offset the district's cost of special education salaries.
- A closer review of special education budget needs adds \$17,135 to the Marion Cross special education budget.
- A miscalculation which had overstated non-union wage rates results in a salary and benefit reduction of \$17,869 across several areas of the budget.

I am attaching a "Budget Change" sheet, which reflects these changes. I am also attaching a revised tax rate estimation sheet, which reflects both the budget reduction, and the reduction in the CLA. The net impact of these two changes is an increase in the estimated tax rate for 2010-11 of 17.40%. Clearly the CLA has a major impact on the taxes that property owners pay, there is nearly a one-to-one correspondence between CLA and tax rate. The Norwich Lister's office disagrees with the State's computation of the CLA and plans to file an appeal. In other years appeals by the Lister's office has been successful in increasing the CLA.