

Minutes

Town of Norwich Finance Committee Meeting Tuesday, July 6, 2010 Tracy Hall, Norwich, Vermont

Members present: Cheryl A. Lindberg (Chair), Robert Mitchell, Stephen Flanders (Secretary), Keith Moran (Vice Chair), Jim Mackall, Ann Sargent

Members absent: James Dwinell

Also Present: Neil Fulton, Suzanne Lupien (Selectboard member), Sharon Racusin (Selectboard member), Peter Webster (Town Manager)

Chair Lindberg called the meeting to order at 5:00 PM.

Agenda Items Discussed

1. Recommend Tax Rate Setting:

Chair Lindberg asked the members to refer to the draft “Town of Norwich Property Tax Rates” calculation sheet, circulated by Neil Fulton (see Appendix A).

- There was a brief discussion of the Norwich CLA appeal. Fulton described the state of appeals to the Valuation Appeal Board. Every percentage point of tax rate costs Norwich taxpayers about \$100K.

Lindberg summarized the elements of the draft document. The following observations ensued in the conversation.

- *Grand List* – Fulton reported that the Norwich Listers have lodged the grand list value at \$704,195,400.
- *Approved Expenditure Budget* – The FY 2010-11 town budget is \$3.687M plus articles of \$0.245M. The year-end numbers used are those provided by Financial Officer Roberta Robinson. Offsetting revenues are \$0.697M.
- *UFB* – Fulton’s document recommends an Undesignated Fund Balance (UFB) carryover into the current fiscal year of \$151K, which would maintain the UFB at 16.4% of the town budget. Fulton in e-mail correspondence that he chose this value, instead of the maximum of 15% provided for in the town policy on carrying over an Undesignated Fund Balance, based on the guidance provided by the Selectboard on January 22 that sufficient funds be used from the UFB to have the FY11 tax rate the same as the FY10 tax rate.. The GFOA recommends a minimum “unrestricted fund

balance in the general fund of no less than two months of regular operating revenues or regular general fund expenditures.”¹

- *Projected Revenues* – There was a discussion of the estimated revenues, many of which are not possible to predict exactly. Intergovernmental revenues will be made known by the state. The estimated figure does not include the town takeover of the Church Street segment or its revenue and expense implications.

Discussion of a potential NFC tax rate recommendation ensued.

- *UFB Guidance* – Fulton reported that the anticipated June 30, 2010 undesignated general fund balance is anticipated to be about \$750K. He highlighted that his UFB carryover was based on up-to-date GFOA guidance. He explained that the UFB carryover is typically used for contingencies like increased winter maintenance expenses or road washouts. He noted that there may also be a requirement to do a town-wide appraisal. There is a period of 6 weeks between when the tax bills go out when there is no income. Flanders suggested that the NFC should follow current Selectboard guidance in its recommendations, but suggest that the Selectboard review its UFB guidance. Moran expressed a desire that the taxpayers receive a bigger return from the UFB than last year.
- *Allowance for Tax Adjustment* – There was a discussion of the allowance of tax adjustments, which normally is set at a few multiples of \$10K to address successful tax appeals. In his document, Fulton recommended higher level this year to address some contingent liabilities arising from litigation that the town is involved in. Lindberg and others agreed that proper accounting would have show contingent liabilities as encumbrances on line items in the previous year’s budget line items and be carried forward as a reduced UFB. In his document, Fulton provided for contingent liabilities together with an allowance for tax adjustments totaling \$180K as an anticipated possible FY2010-11 reduction in revenues or possibly an expenditure.

Motion: Flanders moved and Mackall seconded that:

- The tax rate be set at 0.4588, consistent with a 15% UFB carryover.
- The NFC recommend to the Norwich Selectboard that it review its UFB policy in light of the new GFOA guidance.
- The Selectboard employ a value of \$180K for an allowance on tax adjustments.
- The Town Manager ask the town auditors how to address such contingent liabilities in the future.

After some discussion the motion failed.

Motion: Sargent moved and Moran seconded that the Selectboard review its financial policy on the UFB in light of current GFOA recommendations.

¹ GFOA Best Practice: “Appropriate level of unrestricted fund balance in the general fund (2002 and 2009) (Budget and CAAFR)” (undated)

The motion passed unanimously.

Motion: Sargent moved and Moran seconded that the Town Manager ask town auditors on the correct way to address contingent liabilities in calculation of the tax rate.

The motion passed unanimously.

Motion: Moran moved and Lindberg seconded that the tax rate be set at 0.4432,

Discussion: This tax rate would provide a UFB carryover of 12% of the town expenditure budget, reducing the amount to be raise from property taxes by \$310,603. Discussion revolved around what level of funds should be provided via the UFB and what level as a contingent liability.

The motion failed.

Motion: Flanders moved and Sargent seconded that the tax rate be set at 0.4588.

Discussion: This tax rate would provide a UFB carryover of 15% of the town expenditure budget, reducing the amount to be raised from property taxes by \$200,589. Discussion revolved around whether more funds should be returned to taxpayers. Flanders suggested that funding uncertainty at the state level increased the need for maintaining a higher UFB.

The motion failed.

Motion: Mackall moved and Sargent seconded that the tax rate be set at 0.4536.

Discussion: This tax rate would provide a UFB carryover of 14% of the town expenditure budget, reducing the amount to be raised from property taxes by \$237,260.

The motion failed.

Motion: Moran moved and Mitchell seconded that the tax rate be set at 0.4484.

Discussion: This tax rate would provide a UFB carryover of 13% of the town expenditure budget, reducing the amount to be raised from property taxes by \$237,932.

The motion failed.

Motion: Flanders moved and Mackall seconded that \$180K be reserved for tax adjustments and contingent liabilities in setting the tax rate.

The motion passed unanimously.

Action: Lindberg to report the following points to the Norwich Selectboard on 7 July:

- The NFC recommends that the Selectboard review its financial policy on the UFB in light of current GFOA guidance.
- The NFC recommends that that the Town Manager ask town auditors on the correct way to address contingent liabilities in calculation of the tax rate.
- The NFC recommends that the Selectboard that \$180K be reserved for tax adjustments and contingent liabilities in setting the tax rate.
- The NFC could not agree on a tax rate. The opinions were split between returning funds to the taxpayers with a UFB carryover of as little as 12% versus expecting

similarly challenging contingencies as last year when the NFC recommended a UFB carryover of 15%.

2. Adjournment:

Motion: Flanders moved and Moran seconded that the NFC adjourn

The motion passed unanimously.

Adjournment: 7:00 PM

Upcoming meeting dates (5 PM in Tracy Hall):

Tuesday, July 13, 2010

Tuesday, August 18, 2010

Tuesday, September 21, 2010

Appendix A: Document provided by Neil Fulton

Town of Norwich Property Tax Rates					
FY2011 DRAFT Tax Rate for SB Tax Setting 07-02-10					
Grand List					
4/1/2010 Town Grand List	\$	704,195,400	Comcast	\$	1,264,800
1%	\$	7,041,954	Town Exemptions		
4/1/2010 Education Grand List	\$	707,907,600	Homestead	\$	145,400
1%	\$	7,079,076	Non-Residential	\$	2,302,200
School (Rates Set by State)					
		FY11		FY10	
Common Level of Appraisal		0.9140		0.9707	
District Spending Adjustment		1.7294		1.6772	
Homestead Tax Rate					
HGL Education Grand List	\$	4,618,381	\$	4,845,309	
Tax Rate	\$	1,5845	\$	1,4859	6.64%
State Education Taxes	\$	7,317,825	\$	7,199,645	
Non Residential Tax Rate					
NRGL Education Grand List	\$	2,436,219	\$	2,174,213	
Tax Rate	\$	1,4770	\$	1,3907	6.21%
State Education Taxes	\$	3,598,295	\$	3,023,678	
Total State Education Taxes	\$	10,916,120	\$	10,184,819	7.18%
Town Total Town Budget w/o Articles					
	\$	3,667,130	\$	0,4258	FY10 0.4261 % Change -0.08%
Voted Monetary Articles					
ACORN		2,000	\$	0.0003	
Advance Transit		9,536	\$	0.0014	
Cemetery Commission		15,000	\$	0.0021	
Family Place		3,000	\$	0.0004	
Green Mountain RSVP		500	\$	0.0001	
Headrest		2,500	\$	0.0004	
Health Care Rehab Services		3,093	\$	0.0004	
Norwich American Legion		1,500	\$	0.0002	
Norwich Child Care Scholarship		4,348	\$	0.0006	
Norwich Historical Society		8,000	\$	0.0011	
Norwich Poor Relief and Citizen Assistance		1,000	\$	0.0001	
Norwich Public Library		162,114	\$	0.0230	
Norwich Senior Action Council		500	\$	0.0001	
SEVCA		1,750	\$	0.0002	
Upper Valley Trails Alliance		2,000	\$	0.0003	
VT/NH Visiting Nurse		13,600	\$	0.0019	
White River Council on Aging		5,300	\$	0.0008	
Windsor County Partners		1,000	\$	0.0001	
WISE		2,500	\$	0.0004	
Youth-in-Action		6,000	\$	0.0009	
Total Monetary Articles	\$	245,241	\$	0.0348	0.0349 -0.21%
Total Town Expenditures	\$	3,912,371			
		4,233,864		-7.59%	
Offsetting Revenues					
Property Tax Fees and Interest		(35,000)			
Current Use Payment		(100,236)			
Permit and License Fees		(9,400)			
Intergovernmental Revenues		(202,040)			
Grant Revenues		-			
Service Fees		(278,600)			
Public Safety Revenues		(22,700)			
Other Town Revenues w/o Interest from Banks		(19,600)			
Interest Earned from Banks		(26,000)			
Miscellaneous Revenues		(4,000)			
Total Offsetting Revenues	\$	(697,576)			
Payment from Reduction in Undesignated Fund Balance	\$	(150,950)		16.4%	
Allowance for Tax Adjustments		180,000			
Amount to raise from Property Taxes	\$	3,243,845	\$	0.4606	0.4610 -0.09%
Town Tax Rate					
Local Agreement Taxes	\$	36,618	\$	0.0052	0.0048
Total Town Tax Rate			\$	0.4658	0.4658 0.00%
Summary					
		FY11		FY10	% Change
School Homestead Tax Rate	\$	1,5845	\$	1,4859	6.64%
School Non Residential Tax Rate	\$	1,4770	\$	1,3907	6.21%
Town Tax Rate (With Local Agreement Rate)	\$	0.4658	\$	0.4658	0.00%
Total Homestead Tax Rate	\$	2.0503	\$	1.9517	5.05%
Total Non Residential Tax Rate	\$	1.9428	\$	1.8565	4.65%
Optional Payments from Reduction in Undesignated Fund Balance					
		Amount		Tax Rate	% Change FY11
FY09		\$		0.4810	
FY10		\$		0.4658	
Undesignated Fund Balance Use					
16.4%	\$	150,950	\$	0.4658	0.00%
8.0%	\$	457,288	\$	0.4223	-9.34%
9.0%	\$	420,617	\$	0.4276	-8.20%
10.0%	\$	383,946	\$	0.4328	-7.08%
11.0%	\$	347,274	\$	0.4380	-5.97%
12.0%	\$	310,603	\$	0.4432	-4.85%
13.0%	\$	273,932	\$	0.4484	-3.74%
14.0%	\$	237,260	\$	0.4536	-2.62%
15.0%	\$	200,589	\$	0.4588	-1.50%