

**SPECIAL MEETING
BOARD OF MAYOR AND ALDERMEN
(RE: FY2010 BUDGET)**

May 12, 2009

7:00 PM

Mayor Guinta called the meeting to order.

Mayor Guinta called for the Pledge of Allegiance, which was led by Alderman Gatsas

A moment of silence was observed.

The Clerk called the roll.

Present: Aldermen M. Roy, Gatsas, Sullivan, Osborne, Pinard, O'Neil, Lopez, Shea,
DeVries, Smith, Ouellette, Murphy

Absent: Aldermen J. Roy, Garrity

Messrs: D. Cornell

On motion of Alderman Lopez, duly seconded by Alderman Smith, it was voted to recess the meeting for purposes of negotiations.

Mayor Guinta called the meeting back to order.

Mayor Gatsas stated the purpose of this meeting shall be discussions relating to the proposed FY2010 budget for the Assessor's office.

Mr. David Cornell, Assessor, stated we passed out some sheets on this but first of all the proposed budget would fully fund our current staff. It would not require any layoffs. Our 2009 budget was roughly around \$638,000. The proposed budget is a little over \$614,000. It is a reduction of about 3.7% from our last year's budget. We do have one customer service representative position that will remain vacant so we will not fill that position with the money that is allocated to our department. The money allocated does allow us to fill the vacant assessor position. Basically, in summary, although this is about a 3.7% decrease, we do feel that we can live within the proposed budget. Next, I would like to go over the overlay account and give just a brief explanation of exactly why we have the overlay account and go over our projection. Essentially the overlay account exists for property owners that feel that they are over assessed. You would file an abatement locally if you feel that you are over assessed. If the taxpayer disagrees with the decision made locally they can appeal to the state, either to Superior Court or to the Board of Land and Tax Appeals. For our projection, for 2009, we are giving a range of \$1.3 million to \$1.7 million in our overlay account. This next slide is basically some historical data of several things. If you will notice the net tax base for each year on the third column it has the percent of the change in the net tax base. The column after that has the tax rate and the fifth column has the overlay received. There are a few colors shown. The first one is a blue color that represents the years of revaluation. You can see that in 1991, 2001 and 2006 the percent changes are fairly big numbers. Those are due to the revaluation years. The years in pink we highlighted. Those would be years that the tax base decreased from the previous year so in the early 1990's when the real estate market went down quite a bit, you will see some of those years. You will see the year 2002 was a year after a revaluation where there were a lot of abatements. We are projecting a negative tax base this year due to the state of the real estate economy. This gives some more historical data as far as back to 2005. You will see the total abatements filed and that is total taxes under appeal for that year. The purple color represents the dollar value of the abatements that are still active. For 2005, there is \$13.5 million of abatements that are still active based on a total of about \$785 million that was originally

filed. That goes across from 2005 you can see that we have most of the abatements taken care of and up to 2008, which is our most recent filing. Next we have broken down into the number of abatements that were filed for each year and the number of abatements that are still active. For the 2005 number there is one active abatement left for \$13.5 million all the way up to 2008. The thing I would point out is that for 2008 you will see the number of abatements actually decrease from 2007 but the dollar amount was an increase from 2007. I have a summary of exactly what we have currently that are still active. There are 743 active abatement cases still pending. That represents about \$1.1 billion in value that is currently under appeal. Our current overlay balance is roughly about \$1.8 million that we currently have in reserves and as you can see from the \$1.1 billion under appeal that is where we are at right now. At this time I would like to answer any questions that you have.

Alderman Gatsas asked can you reduce your overlay?

Mr. Cornell replied we spend a considerable amount of time in researching this because this is an extremely difficult decision. We know it has an immense impact on the budget for the City and we looked at all the pros and cons. We looked at the current real estate market, the past historical trends, and where we are right now as far as in the current cycle of the real estate market and our best projection right now is the \$1.3 million to the \$1.7 million in the overlay account.

Alderman Gatsas asked how did you come up with \$439,000 last year? How many cases did you have outstanding last year? If memory serves me right, it was around 1100.

Mr. Cornell stated for 2007 the number of abatements was 559 and the dollar under appeal for 2007 was roughly \$547 million.

Alderman Gatsas asked how much is under appeal today in 2008?

Mr. Cornell replied adding up all of the...

Alderman Gatsas interjected in 2008, comparing apples to apples, 2007 to 2008.

Mr. Cornell stated for 2008 there was about \$949 million filed and of that...

Alderman Gatsas asked total dollars?

Mr. Cornell replied yes.

Alderman Gatsas asked yes is how many total dollars?

Mr. Cornell replied \$949 million was filed for 2008.

Alderman Gatsas asked how many outstanding cases is that? If that is a two to one ratio from 2007 why aren't we looking at a double from \$428 million to \$856 million? Why are we looking for three times that amount?

Mr. Cornell replied if you recall last year we had some surplus funds that we were able to move forward from last year.

Alderman Gatsas asked out of 2005?

Mr. Cornell replied for 2006 and 2007. So we had some surplus funds that we were able to...

Alderman Gatsas interjected didn't you move surplus funds from 2005 and 2006 into 2007?

Mr. Cornell replied it was the 2006 year that there was some surplus overlay account funds that we were able to...

Alderman Gatsas interjected how much?

Mr. Cornell replied I think it was around \$400,000 or \$500,000.

Alderman Gatsas asked what do you have for excess overlay in 2007 that you can carry forward?

Mr. Cornell replied right now we feel that there are actually no excess funds available to carry forward.

Alderman Gatsas asked what gives you that feeling? That is not a warm and comfortable feeling as far as I am concerned.

Mr. Cornell replied if you look at the total dollars under appeal which is about \$1.1 billion and if you look at what we currently have in the account now which is a little under \$1.8 million with those potential liabilities sitting out there...

Alderman Gatsas interjected yes, but you are never going to settle all of those in one year. That is unrealistic to even think. You don't have enough time in a day to do that.

Mr. Cornell stated you are correct that they will probably not be finished in one year. I will however say that what happens is the revaluation was in 2006 and just basically the timeline is a case would file in 2006 and let's say it is not settled, those same properties may file again in 2007 and then 2008. For 2006, just a timeline, all of those 2006 cases now are scheduled to go to either hearing or a trial at the BTLA. The ramifications for

the decision made in 2006, whatever the decision was in 2006, we will have to pay over 2006, 2007 and 2008 so this is the year that essentially the cases get stacked up and when they are heard we will be paying multiple years all at once.

Alderman Gatsas stated I think that other people that sat in your seat for 30 some odd years might give you a different opinion but that is what opinions are like.

Alderman Shea stated I noticed that you asked \$1.3 million to \$1.7 million. You have a balance of \$1.8 million almost. Without going into specifics, would a million dollars be better than say half a million? In other words, whatever overlay we could give you bringing it up a million more. One of the problems we have trying to figure out in this puzzle that we have here... How are we going to allocate funds? Assuming that you do get a million rather than \$1.3 million, that the Mayor has given you, and obviously you don't need all of the items whether we vote to have another assessor or not. My point is that in the event that you do have abatements, is there a way that you can handle the abatements on a projection? In other words, can you put them off another year? Are you in that position that you have to handle them according to some state law? In other words, rather than handling the abatements in 2009, are you required by law to handle them in a certain period of time? I know there are some that have been overlapping for a few years.

Mr. Cornell replied we are required by law. We have certain statutory guidelines. The other thing is, let's say for the 2006 cases we are at the mercy of the Superior Court of the Board of Land and Tax Appeals. For 2006, our schedule right now is slammed. Starting in June we have four cases in a day. Two days later we will have four cases. A week later we might have four cases.

Alderman Shea asked these are cases that have gone back to 2006?

Mr. Cornell replied correct, 2006. In many cases in a one month period we will have roughly 90 properties so whatever the decision is, all of those cases will be going to hearing within 30 to 45 days.

Alderman Shea asked do you actually take beyond 2006 in the next year or do you limit yourself to these back cases in the year 2009-2010?

Mr. Cornell stated no, we have cases back to 2005. We know of the cases up to 2008 because the deadline has now passed for the 2008 filings. Then starting in November we will have another new flood of abatements coming for 2009. So that is kind of the progression of the timeline.

Alderman Shea stated what I am trying to say is that you are not held to any kind of time limit. You don't have to hear the 2008 or 2009 that would be presented to you within a certain time period. What do you have two or three years to hear those, if you are hearing the 2005 and 2006 now?

Mr. Cornell stated right, for 2008 specifically we have until July 1st to act. Then the taxpayer has until September 1st to either file at the Superior Court level or to the Board of Land and Tax Appeals. That is the timeline for 2008.

Alderman Shea stated what you are asking for is monies now in order to adjudicate cases that occurred in 2005 and 2006. That is what you are going to meet your obligations for.

Mr. Cornell replied we do have money set aside.

Alderman Shea stated I realize that but this extra amount of money that you are asking for...

Mr. Cornell stated right. Essentially each year you have new abatements coming online and we set aside money for those new abatements.

Alderman Shea stated so you are not actually going to hear those cases but you are setting money aside in order to hear those cases or meet the obligations at a later time. Is that what you are saying?

Mr. Cornell stated some of those cases we will hear. Some of them we will settle. Some of them will appeal and go on to the state level.

Alderman Shea asked so the Board has to decide what figures will be helpful for you? You want \$1.3 million to \$1.7 million and we have to decide whether we will give you that.

Mr. Cornell replied actually, the way it works for the abatement is this is an area where when we go to Concord we have to tell the Department of Revenue how much to put in the overlay account.

Alderman Lopez stated I was going to recommend that we continue discussion with the Assessor at a later date.

Mayor Guinta stated I think we are almost completed here with the line of questioning. If we could just do a few more minutes.

Alderman Lopez stated I have quite a few questions but I know we have something in the Committee on Administration and looking at the budget. I don't want to get into that tonight but I will yield to anybody that has a question so we can move on and I think that

some other time I would like to get the Assessors either myself or at a Board meeting so we can dig into this a little bit further.

Alderman DeVries asked David, are you under statutory obligations to determine and set aside in the same calendar year the abatement dollars as when they are filed? I seem to remember you speaking to that last year.

Mr. Cornell replied we did have some discussion last year as far as the accounting method whether to use the cash or accrual method.

Alderman DeVries asked do you have flexibility in that?

Mr. Cornell replied based on our discussions last year, we do have a little bit of flexibility with that, yes.

Alderman DeVries asked and the final determination, is that similar to the Finance Director having to sign off on the City's Finances? Are you the individual that has to sign off with the overlay account when you go to Concord?

Mr. Cornell replied when we go to Concord they do ask us what we need in our overlay account for the year.

Alderman DeVries asked are you attesting to that being the complete dollar amount necessary? Do you have to confirm that for meeting all the obligations?

Mr. Cornell replied basically for the DRA they ask what figure we need in the overlay account and we give them the figure.

Alderman Smith stated David, our situation on Lowell Street has been going on for years. I can't see why you would need this much money in the overlay because it seems like nothing gets done in the course of a year. They go through the procedure before it's heard and it is delayed and so forth. We have done this before. I would like to have the overlay reduced. I think the figure, even though times are tough now and they have to ask for an abatement, most of them will not go to Superior Court because they will have to pay some court costs. The property on Lowell Street has been on our Committee for five years.

Mr. Cornell stated that case was scheduled to go to hearing and then it was rescheduled. For the cases at the Board, we do have those stacked right up. The other thing I will warn you is, it is no secret the real estate market is not nearly as good now as it was back in 2003, 2004, and 2005, in trying to calculate our figures certainly we are anticipating a number of abatements and we do have to factor that in to our projections.

Alderman M. Roy asked David, what happens if you run out of your overlay account?

Mr. Cornell replied essentially, if we run out we still have to pay the bills so we would be going to Mr. Sanders and saying here is a bill that has to be paid and it will have to be taken out of the City's budget some how.

Alderman M. Roy asked so with our roughly \$17 million in other funds, you feel pretty safe that you would get your bills paid, if your overlay was not \$1.3 million?

Mr. Cornell replied I will let Mr. Sanders answer that question.

Alderman M. Roy asked it would be a vote of this Board in order to give you the funding, correct?

Mr. Cornell replied if we got a court order to pay a bill and the courts demand within 30 days the bill has to be paid, it would certainly be up to Mr. Sanders to find the money to pay the bill.

Mr. Sanders stated I would just want to clarify that the finance officer is only authorized to spend what has been appropriated. If money has not been appropriated for this matter then I would have to come back to the Board of Mayor and Aldermen and you would have to tell me where to take that money from.

Alderman M. Roy stated I believe the City always pays its commitments. Thank you, Mr. Cornell.

Mayor Guinta recessed the meeting to continue negotiations.

Mayor Guinta called the meeting back to order.

*There being no further business relating to the FY2010 budget, on motion of **Alderman Smith**, duly seconded by **Alderman Shea**, it was voted to adjourn.*

A True Record. Attest.

City Clerk