



**TOWN OF MADISON
BOARD OF FINANCE**
REGULAR MEETING, May 18, 2016

Draft- Subject to Approval - Reviewed

Present: Joseph MacDougald, Mark Casparino, Bennett Pudlin, Jason Ulstad

Also present: Tom Banisch, First Selectman; Stacy Nobitz, Finance Director; Mike Ott, Public Works Director; Scott Gyllensten, Herb Gram, Ad Hoc Senior Tax Relief Committee; numerous member of the public; MCTV

Mr. MacDougald called the meeting to order at 7:00 p.m.

REGULAR SESSION

1. Pledge of Allegiance. The Board of Finance and members of the audience stood and recited the Pledge of Allegiance.
2. Approval of minutes – Regular meeting of April 20, 2016, Budget Public Hearing of April 19, 2016, Special Meeting of April 15, 2016, Budget Workshop of April 5, 2016. The following correction was made to the minutes of the Regular Meeting of April 20, 2016:

In Also Present and Items 11, line 1, correct spelling of Chief Jack Drumm

On motion made by Mr. MacDougald, and seconded by Mr. Casparino, the Board voted unanimously to approve the minutes of the Regular Meeting of April 20, 2016, Budget Public Hearing of April 19, 2016 as corrected and Special Meeting of April 15, 2016 and Budget Workshop of April 5, 2016 as submitted.

3. Chairman's comments. There were no Chairman's comments,
4. Citizen and Finance member comments. There were no Finance member comments. Mr. MacDougald suggested that citizen comments be taken under Item 6 since citizens were present to comment on the Senior Tax Relief Program.

NEW BUSINESS

5. Discuss upcoming Budget Referendum and budget of the State of Connecticut. Mr. MacDougald provided an update on the FY 2016-17 budget. With the ECS reduction offset partially by Municipal Cost Sharing and a reduction in PILOT funding, the net for Madison is a \$700,000 reduction in State funding which is much less than previously anticipated. He noted that the regular calls from the State representatives were very helpful.

Mr. MacDougald noted that, during the period when State funding was uncertain, both Town and Board of Education funds were frozen. Now that the Town has a better idea of State funding for next year, Departments have been directed to use their discretion for utilization of the balance of FY 15-16 budgeted funds. It will also be important to replenish reserve funds at the end of July when the unexpended fund balance is finalized.

Ms. Nobitz provided information on the projected fund balance which is more favorable than in the prior projection.

Mr. Banisch explained the source of savings in Legal Costs noting that a review of the retainer arrangement resulted in the Town receiving a \$25,000 credit to be provided in 10 monthly installments. The Town will also be lowering the retainer for next year which will result in savings. They are also looking at additional shopping around for purchasing products which can generate additional savings. Town Departments have been very understanding of the budget situation and have been working together with the Town.

Mr. Banisch noted that the budget referendum will be held on Tuesday, May 24.

6. Discuss a recommendation from the Ad Hoc Senior Tax Relief Committee. Mr. MacDougald thanked the members of the Ad Hoc Senior Tax Relief Committee for attending this evening to present their proposal. He noted that the Board is receiving the report and will not be taking action this evening.

Mr. Gram acknowledged the Members of the Ad Hoc Senior Tax Relief Committee including Craig Bernard, Herb Gram, Scott Gyllensten, Ron Hicks and Peter Thomas. He also noted that staff Alma Carroll, Tax Collector and Austin Hall, Director of Senior Services, were very helpful to the Committee's efforts.

Mr. Gyllensten presented a summary of the report and information on a model put together by the Committee to project the costs of the new Tax Freeze program over the next 30 years using Town, State and Federal data. Mr. Gyllensten summarized the recommended changes as follows:

- Tax Abatement Program – recommended a plus \$700.00 adjustment in the income level for program eligibility to align it to other programs.
- Tax Abatement Program – recommended that this program be indexed to the CPI.

- Tax Deferral Program – recommended an increase in the income level for eligibility from \$63,660 to \$86,584. Under this program the eligible individual is able to defer a portion of their tax bill and have it paid at the time of the sale of the property.
- Tax Freeze Program – Create a new Tax Freeze Program that will freeze taxes for eligible seniors. This program would provide seniors with predictability from year to year. He clarified that the freeze applies when there is a property reevaluation.
- Eligibility for the Tax Freeze includes an age requirement of 65+, a band system of income and length of residency (an example is an individual with 20 years of residency is eligible with an income of up to \$86,000).
- The Tax Freeze program has a property valuation component with a maximum assessed value of \$100,000 more than the median price for a house in Madison. (The current maximum value to be eligible would be \$459,000).

Mr. MacDougald opened up the meeting for public comment on the recommendations of the Ad Hoc Senior Tax Relief Committee.

Art Wiley, 27 Lawson Drive, requested clarification on whether the property valuation maximum under the proposed Tax Freeze program would be based on appraised or assessed value. Mr. Gyllensten clarified that the maximum is based on assessed value, not to exceed \$100,000 of the medium appraised value which is based on a census data report.

Ron Hicks, 15 Hamilton Drive, advised of two friends who are putting their Madison house on the market because of the cost of property taxes. He noted that one friend is not eligible for the Deferral Program since he took out a reverse mortgage. Mr. Gyllensten recommended that the Town have a reverse mortgage expert review the wording for the deferral program.

Elaine Piotroski, 4 Yankee Glen, asked if the eligibility for the Tax Freeze was based on being a property owner or resident. Mr. Gyllensten noted that it was based on residency.

Barbara Davis, 97 Stone Road, commented that she is in favor of the proposed Tax Freeze Program. She believes this program is one way to help retain seniors, who provide a net positive revenue, in Town. These programs are especially important since they target the more vulnerable seniors. She believes this is a solid program with a safety net for both the seniors and the Town,

Marlene Beckman, 509 County Road, noted that she is a 51 year resident. She explained how she and her husband are finding it difficult to cover their expenses, medical costs and taxes due to the high cost of living, even though they live a frugal life. Many other seniors are facing difficult financial times. Many have supported the Town through paying taxes and volunteering for community service for many years and would like to stay in Town close to family and friends. Tax programs can assist in reducing some of these hardships and help seniors stay in their homes.

Cecella Pfister, 42 Whitman Road, commented that seniors have supported the schools, served on Boards and Commissions and volunteered for many community service activities so they are an important asset to the Town.

Mr. Gyllensten outlined the costs associated with these programs since the costs end up being spread throughout all of the non-participating taxpayers. In year one, the average cost would be \$15.00 per year for taxpayers not participating in the program. In the year 2045 there would be a \$60.00 per year per property impact so he sees the impact as minimal compared to the benefits. He recommended that the program be sent to the Town for a vote and he is confident it will be supported by the community.

Mr. MacDougald questioned if the issue of disallowing certain types of trusts had been considered. Mr. Gyllensten noted that State law allows a great deal of flexibility in how the programs are set-up. He noted that he believes the impact of trusts would be minimal but could be looked at further in the future.

Henry Owen, 69 Wellsweep Drive, acknowledged that, with the tax relief programs, there is a cost to other taxpayers who must make up the difference, however, he believes the benefits outweigh and offset this amount, since keeping seniors in their homes limits the number of new children to the school system which is a long term savings to the Town.

Mr. Pudlin commented that he believes the tax relief programs raise a philosophical question of whether it is fair to shift the tax burden from low and moderate income seniors to the rest of the taxpayers. He also noted that there are differing perspectives regarding what is considered fair. He believes the Committee showed the benefit to the entire community of having a diverse population and he agrees the program should be sent to the Town for a vote for the community to answer this question. He personally believes that moving forward with these programs is a values rather than a financial question and this is the right thing to do for the community. It will be important to publicize the issue and encourage people to vote.

Herb Gram, 287 Boston Post Road, commented that he believes the Tax Relief programs are important to the community as a whole. He commented that if the Board of Finance has any concerns with the program as recommended, the Committee will be happy to work with them to clarify any issues.

Mr. Horvath commented that regulations regarding trusts are based on State guidelines. His understanding is that the State allows trusts to be in the program if it is an individual who is responsible for the taxes. If the trust pays the taxes, the trust might not qualify. Mr. Horvath noted that he had reviewed the impact on the 2014 grand list for the 2015 tax bill if the Freeze Program was in place and he calculated that the impact would be \$7.51 for each \$100,000 of value.

Mr. MacDougald questioned the impact if the program exceeded the cap. Mr. Gyllensten noted that the program, at that time, might need to be reexamined but this would not be anticipated until 2030 and that would assume full utilization, which is unlikely.

Al Goldberg, 60 Colonial Road, recommended that action on the programs be based on a matter of decency rather than finances. Concern over tax relief for seniors has been an issue for a very long time so the topic has been well researched. He recommended that the proposal be sent to the voters for action.

Mr. MacDougald questioned if the fairest way to proceed is to fix and expand the deferral program since the senior benefits but the Town ultimately receives full payment of taxes when the property is sold. He agrees it is important to assist the seniors who need programs to remain comfortably in their homes but has concerns that the program will also benefit the future owner of the property, Mr. Gyllensten noted that seniors are afraid to use the deferral program since it involves a lien. Tax Freeze Programs are utilized in many towns across the state and are very well utilized which demonstrates that this is a program that seniors are comfortable utilizing. He believes the primary question the Board of Finance should address is whether the community can afford the program.

Mr. Casparino recommended that there be further review of the deferral program to see if there is something that could be done to improve the program by addressing the barriers to entry.

Mr. Gram noted that seniors have a concern with the lien placed on their home under the deferral program since they feel this is no longer their home and the lien could impact their credit rating. He believes it is fair to provide seniors with a tax break in their older years since for many years they have paid for services not utilized such as the school system, and paying increasing taxes can become very difficult for individuals on fixed incomes.

Ms. Davis commented that she believes the Deferral Program is more suited for people who want to leave Madison rather than those who desire to remain and be a part of the community. Mr. MacDougald clarified noting that the Deferral Program is intended for long term residents.

Mr. Horvath commented that he believes there is some misunderstanding about the deferral program since he participates and it has had no impact on his credit rating.

Mr. Hicks commented that he believes additional work could be done to get the word out about the Tax Deferral program to possibly get more seniors to participate.

Mr. Hall noted that information about the program is provided with the tax bills each year and information on the program is also included in the monthly newsletter that goes out to many seniors.

Mr. Banisch noted that the Board of Selectmen have approved the report and have passed it onto the Board of Finance. He recommended that the Board of Finance now send the proposal onto the voters for action.

Dick Gedney, 316 Race Hill Road, commented that older people feel that their home is their major asset and if necessary they want to be able to go to their home value as a source of funding in the event of a catastrophic incident, therefore, they have concerns with a program that places a lien on their home.

Joan Wheeler, Stepping Stone Lane commented that the report was completed by a bi-partisan Committee so she believes it should go to the people of Madison for a vote.

Mr. MacDougald noted that this item will be on the agenda for action at the June Board of Finance meeting, He noted that there has been discussion on moving the date of the June meeting and the members present agreed to move the June meeting to June 8 pending agreement by Ms. Tung and Ms. Kokoruda.

7. The following line transfers are designated as routine and appropriate for approval as a single action by the Board of Finance, if so desired. A board member may request removal of any line transfer item from the consent agenda for review and discussion.

Motion: To approve Line Transfers totaling \$32,279.56.

Ms. Nobitz noted that additional funds are need for the Defined Contribution Program line since more employees enrolled in the program than projected. She noted that funds will be moved from the Heart and Hypertension line.

On motion made by Mr. MacDougald, and seconded by Mr. Pudlin, the Board voted unanimously to approve Line Transfers totaling \$32,279.56.

8. Review of Financials. Ms. Nobitz noted that the Anthem report still shows the account to be over-expended on claims, however, it has improved with the account being 103% this month compared to 129% last month.

Mr. Horvath recommended that a three year review of this account, to compare the budget vs. actual expenditures, be conducted to see if there is a way to fund this account at a level that is consistent with actual use to avoid high deficits in one year and then a surplus another year.

9. Citizen comments. There were no citizen comments.

10. Liaison Reports and Report from First Selectman. Mr. Banisch noted that, as a result of the refinancing of the bonds completed, Moody has confirmed Madison's AAA rating.

Mr. Ulstad reported on the results of a local charity auction.

Mr. Pudlin noted that at the Board of Education there was discussion about going back to a reconfiguration of the planning process. He also noted that there was some movement

on purchase of the piece of property adjacent to Polson School. Funding would be from available resources by re-purposing LoCap funds.

Mr. MacDougald noted that last summer one of the summer meetings was cancelled so he requested member input on their preference for cancelling the July or August meeting this summer. The preference of the members present was to cancel the August meeting.

Mr. MacDougald noted that the Pension Committee had a discussion on calculating the rate of return and noted that the Madison Plan is in very good shape with a 7.5 plan return rate. They are recommending that a meeting be set in September, joint with the Board of Finance, to meet with Millman for a recommendation for the appropriate return rate which can impact how the plan is budgeted.

11. Adjourn. On motion made by Mr. Pudlin, and seconded by Mr. Casparino the Board voted unanimously to adjourn the meeting at 9:10 p.m.

Terry Holland-Buckley, Clerk