

SPECIAL TOWN COUNCIL MEETING

THURSDAY, APRIL 2, 1992

7:00 P.M.

AGENDA

1. Roll Call & Pledge of Allegiance
2. Presentation on the Mayor's 1992-93 Proposed Budget to the Town Council by Mayor William W. Dickinson, Jr.

SPECIAL TOWN COUNCIL MEETING

APRIL 2, 1992

7:00 P.M.

A special meeting of the Wallingford Town Council was held on Tuesday, April 2, 1992 in the Robert Earley Auditorium of the Wallingford Town Hall and called to Order by Vice Chairman David J. Doherty at 7:08 P.M. All Councilors answered Present to the Roll called by Town Council Secretary Kathryn F. Milano with the exception of Chairperson Iris F. Papale who was out of town. Mayor William W. Dickinson, Jr. and Comptroller Thomas A. Myers were also present. Town Attorney Janis M. Small was absent as was Town Clerk Kathryn J. Wall who was out of town.

The Pledge of Allegiance was given to the Flag at the opening of the 6:45 P.M. special meeting.

ITEM #2 Presentation on the Mayor's 1992-93 Proposed Budget to the Town Council by Mayor William W. Dickinson, Jr.

Motion was made by Mr. Killen to Hear the Presentation, seconded by Mrs. Duryea.

Mayor William W. Dickinson, Jr. addressed members of the Council and public with his budget message as follows:

"Dear Residents:

We are all aware of the economic recession which is causing hardships throughout our community and state. Real estate loses value, businesses fail, and people lose employment. Government services are also confronted with reduced revenues at a time when the public needs stable and adequate services.

Our policy has been to prepare budgets which provide for a multi-year fiscal plan. The reason for this policy is to avoid radical financial impacts on the community which result in the interruption and even cessation of necessary services.

The 1992-1993 recommended budget must be discussed in terms of expenditures and revenues. On the expenditure side, it maintains services at their current level while authorizing a 1.9% increase in spending over the 1991-1992 budget. We have not approved large increases in operating and maintenance accounts and have funded our labor contractual obligations. Budget requests from departments would have required a \$4,159,625 spending increase. General government departments requested an increase of \$503,683 and education requested an increase of \$3,685,942. We approved new spending of \$1,439,423. Education will receive an increase of 4.4% or \$1,767,215. General government will receive a 1% decrease from the current year spending amounting to \$327,792. We believe that this appropriation will adequately fund these services at current levels.

With regard to revenues, we are confronted by a net loss in funds provided from state sources. That net loss is caused by reductions of \$589,209 and \$249,436 in the education cost sharing and welfare reimbursement grants respectively. In addition, due to low interest rates, we expect to earn \$515,000 less in interest income. The Town's Grand List has grown only 1.3% or \$670,000 at the current mill rate.

In order to be able to provide adequate services, it is necessary that we use a portion of our financial reserves. Our plan involves allocating reserves over two years to gradually adapt to revaluation, higher costs, and lost revenues. This budget uses \$589,209 from our credit reserve and covers the anticipated reduction in the education cost sharing grant. We also recommend using 2/3 or \$2,259,900 of our revaluation reserve. These reserves were planned and created to enable Wallingford to adapt to difficult economic times and continue to provide services necessary to maintain the community's quality of life. As the economy recovers, it will be necessary for us to plan to replenish the reserve for our AA credit rating.

As a result of using reserves, the 1992-1993 recommended budget anticipates the need for \$1,633,675 less in taxes. This budget requests \$46,526,365 in taxes as compared to \$48,160,040 contained in the 1991-1992 budget. The combination of controls on spending (a 1.9% increase) and the use of reserves means less new money is requested from the taxpayer.

The recommended budget has a mill rate of 24.2 as compared to the current 42.3 mill rate. Revaluation causes the mill rate reduction. Every taxpayer will be affected differently depending upon the amount of appreciation or depreciation in the value of his or her real estate. A property with the average assessment of \$101,500 may have reached that amount by more than doubling the old assessment or by less than doubling the old assessment. The tax impact on the property is determined by the amount the assessment rose in value. Two properties with the same revalued assessment would pay the same tax, but one might pay less in taxes and one might pay more in taxes than under the current assessment and current mill rate. Assuming the assessment appreciated from a \$49,700 value to a \$101,500, the increase in taxes would be \$219 per year.

We recommend that the Town not implement a phase in of revaluation as permitted by state law. This recommendation is made after careful analysis of information which outlines the impact of evaluations as follows: a full implementation, a 5 year phase in, a 4 year phase in, a 3 year phase in and a 2 year phase in. It is based upon the following points:

- (1) The mill rate of 24.2 is far better than the lowest phase in mill rate of 31.9

- (2) The best first year savings for the "average" residential property is \$64 with other property classifications including motor vehicles picking up that reduction
- (3) A phase in will cause some residential property and business property to be taxed more than its reassessed value
- (4) Using the most favorable phase in mill rate, the impact on residential property when compared to full implementation of revaluation on a town wide basis is \$28
- (5) A phase in of revaluation will cause business personal property taxes to increase \$1,255,662 over what would be owed under full revaluation
- (6) Any phase in causes the tax liability to inequitably ignore the accepted real value of the property taxed
- (7) The Town created a revaluation reserve to prepare for a tax impact. We are using 2/3 of that reserve with 1/3 available for next year.

For these reasons we do not recommend that a phase in of revaluation be adopted.

Our utility budgets exhibit sensitivity to the plight of the economy and efforts to contain costs. The Electric Division budget assumes the 5%-7% rate reduction through December. That rate reduction represents for calendar year 1992 a \$3,000,000 lower cost to the community. The budget contains no new labor positions. It is formulated based upon current operating conditions. A budget amendment may be necessary if Northeast Utilities files a rate increase in July, or if a new contract is negotiated with CMEEC or Northeast Utilities or if the Town embarks on the electric generation project. Reserves of \$9,400,000 are held for that purpose.

The Water Division budget reflects the good news that an expected 23% rate increase has been reduced to a -.5% to 4% rate increase. Even though the Division is in the midst of a \$20,000,000 water treatment plant construction project with the need to increase the budget to cover costs, higher water consumption and sales, the use of reserves, and increases in other revenue have resulted in funds sufficient to reduce the water rate which was projected several years ago. The budget does contain additional labor positions necessary for operation of the plant in 1993.

The Sewer Division budget includes funding for the completed construction of the wastewater treatment plant and the need to upgrade existing facilities such as the South Elm Street trunk sewer. The budget assumes the approved rate increase of 6.8%. No new labor positions have been authorized. Our utilities are among our most significant services and are vital to the community's well being. Efforts have been made to keep our rates as low as possible and still provide environmentally safe and reliable service.

We recommend this budget for adoption. Wallingford will continue to be attractive and offer a good quality of life only in direct proportion to our willingness to carefully plan and invest in her future. We realize that any tax increase may create hardship. With that in mind, I have asked that the Committee for Elderly Tax Relief again consider the need for a program to benefit our elderly residents.

With this budget, we continue our efforts to prepare for multi-year challenges. Next year will confront us with similar dilemmas as we implement a second year of adapting to revaluation. Thank you."

With the help of an overhead projector the Mayor displayed several graphs which explained the reasoning behind his opinion that a phase in program for revaluation is not in the best interest of the town (see appendix I, II, III & IV).

At this time the Mayor invited the public to ask any questions that they may have.

Mr. Jim Seichter, 163 Grieb Road asked, assuming that there was no reserve, the Mayor did not have \$2.2 million to use to help offset the taxes, what would the mill rate be, approximately? What does the \$2.2 million equate to in mills?

Mayor Dickinson responded, he was not sure what the mill rate would be but that it would translate to approximately \$400 to \$500 on the so-called average.

Mr. Myers informed the Mayor that the mill rate would be approximately 25.5 mills. The use of the reserves is equivalent to approximately 1.5 mills.

Edward Bradley, 2 Hampton Trail asked, if the 1.9% increase in spending is the total expenditure increase for the town-wide budget that includes the P.U.C., Board of Education and town government?

Mayor Dickinson answered, that includes general government, it would not include the utilities.

Mr. Bradley asked, do you have a number on what the overall increase is?

Mayor Dickinson answered, we don't have the total including utilities.

Bradley then asked, with regards to the credit reserve, how much do we normally put away to guarantee our credit rating?

Myers explained, the accepted norm is 5% of revenues. As your budget grows each year and your revenues expand, the value of the 5% would expand.

Mr. Bradley asked, what would 5% on this projected budget be?

Mr. Myers responded, approximately \$100,000 above what our credit rating reserve was in the past. Last year we were carrying \$3,425,000 as a reserve for the Aa credit rating, and if this budget were approved, intact, that would grow to approximately \$3,525,000.

Mr. Bradley referred to Item #7 on page 3, and asked if it is the Mayor's intent to use the remaining 1/3 of the revaluation reserves next year and, if not, under what conditions would it not be used?

Mayor Dickinson answered that he thought there was definitely a need to use it next year because we are phasing in the full revaluation through use of the money. If we don't use it next year there will be a significant increase just to handle the remainder of revaluation. The additional third would definitely be needed next year to offset the remaining increase due to revaluation.

Mr. Zandri asked, with the new revaluation, what percentage of a mill would net the town \$1 million in revenue?

Mr. Myers: 1/2 of a mill.

Mr. Martin Truehart, President of the Wallingford Education Association asked the Mayor, if the State restores any additional dollars to that which at the present time is approximately \$589,000 reduction to the town, what would his recommendation be for any restored funds?

Mayor Dickinson responded, the policy has been that any money appropriated by the State on the Education Cost Sharing (ECS) should be passed through. That should still be the case.

Mr. Solinsky asked, what happened to the remaining 1/3 of the revaluation reserves that was not used in the budget?

Mayor Dickinson responded that it is held in the general fund. It equates to approximately \$1.4 million.

Mr. Solinsky asked what is the reasoning for not using all of it and taking some other reserve?

Mayor Dickinson answered that he cannot say that there is any difference. His feeling is that the revaluation was meant to ease the general impact. The reduction in the money that we had generally been expecting on education is a major point for us to overcome. He felt that the use of reserves to handle "out of the ordinary" emergency-type situations, that money should be available from the credit reserve for the education

grant reduction. It is a judgement call. The concern that he had about using more of the revaluation money is that if we had some other crises or need for the credit reserve then we would not have the money for revaluation impact.

Mr. Zandri asked Mr. Myers, to increase the revenue to the town by \$1 million, the average homeowner would have to pay approximately \$4.00 more per month, \$48.00 per year?

Mr. Myers answered: That is correct.

Mr. Zandri wanted everyone to understand what a \$1 million increase in revenue would cost the average homeowner.

Mr. Killen referred to page 3 which states that \$9,400,000 are held in reserve for various reasons pertaining to the utility budgets. He asked where that \$9,400,000 appears in the budget?

Mayor Dickinson answered: Reserves, as you know, are not in the operating budget.

Mr. Killen pointed out that they have to be somewhere if the Council is going to act on them.

Mayor Dickinson responded, the revaluation reserves, the 1/3 is not in the budget.....

Mr. Killen answered, that was appropriated. I am asking where the \$9,400,000 was appropriated?

Mayor Dickinson: It is reserved funds so it is not part of an operating budget.

Mr. Killen stated, you cannot hold reserves until hell freezes over and you cannot tax for purpose you are not allowed to tax for just for the sake of taxing. If you have reserves then the taxes should come down. You cannot expect the Council to act on the rest of the budget and ignore \$9,400,000. Either you have to show those funds somewhere or slash that sentence out of your budget message, you cannot have it both ways.

Mayor Dickinson answered, what this identifies as a reserve similar to the revaluation reserve, some of the reval reserve is used in this budget as identified. It also identifies that some are not in the budget, for the same reason we have identified that there are reserves in the Electric Division and the purpose that they are there. It is not recommended in this budget that they be used.

Mr. Killen retorted that, the money for the revaluation, in going back one or two budget years you will notice that a definite appropriation was made for that purpose. At budget time you recommend to us your appropriation, so to speak, this Council goes over your figures and decides to either keep that appropriation, increase or decrease it, etc., there are specific appropriations. If you are going to give us a budget and say, in addition to that we have anywhere from \$1 million to \$101 million

TOWN OF WALLINGFORD
GENERAL FUND
REVALUATION IMPACT ANALYSIS

| | <u>1991 2 Year Phase In</u> | | | <u>Phase In</u> |
|---------------------------------|-----------------------------|------------------------------|---|---|
| | <u>Assessment</u> | <u>Taxes</u> <u>.0319</u> | <u>Tax Variance</u> <u>to Unrevalued</u> | <u>Tax Variance</u> <u>to Full Reval</u> |
| <u>Real Estate</u> | | | | |
| Residential | 862,737,500 | 27,521,326 | 1,516,319 | (1,242,894) |
| Commercial | 266,760,200 | 8,509,650 | 2,726,872 | (350,975) |
| Industrial | 126,588,700 | 4,038,179 | (3,098,962) | (166,551) |
| <u>Total Real Estate</u> | 1,256,086,400 | 40,069,155 | 1,144,229 | (1,760,375) |
| <u>Personal Property</u> | 163,073,060 | 5,202,030 | (1,718,623) | 1,255,662 |
| <u>Motor Vehicle</u> | 117,326,730 | 3,742,722 | (1,249,918) | 903,416 |
| <u>Total</u> | 1,536,486,190 | 49,013,907 | (1,824,314) | |

| | | | |
|--------------------------|---------------|------------|--------------|
| <u>Residential</u> | 1,188,604,100 | 28,764,220 | 2,759,213 |
| <u>Commercial</u> | 366,141,500 | 8,860,625 | 3,077,847 |
| <u>Industrial</u> | 173,749,200 | 4,204,730 | (2,932,411) |
| <u>Total Real Estate</u> | 1,728,494,800 | 41,829,574 | 2,904,648 |
| <u>Personal Property</u> | 163,088,831 | 3,946,368 | (2,974,285) |
| <u>Motor Vehicle</u> | 117,326,730 | 2,839,306 | (2,153,334) |
| <u>Total</u> | 2,008,894,590 | 48,615,248 | (2,222,971) |

laying around and, in my mind, somewhere I've put it aside for this particular purpose and you people can't touch it, just what are we here for? Now either that money belongs to the townspeople or it doesn't. If it has been appropriated then it definitely cannot be touched. If it isn't it is excess and available to be used for this particular budget or any particular purpose that the Council may choose to use if for. One of the charges given to you under the Charter is to keep the Town Council informed at all times of the financial condition of the Town of Wallingford. You cannot do that by playing games like this.

Mayor Dickinson responded, in terms of my responsibilities the funds are all reported, the town's financial statement indicates the existence and location of those funds, the town is in good fiscal condition because we do have reserves which includes the utilities. If we didn't we would be suffering as some other communities are. I don't wish that on anyone. I would rather be arguing over reserves rather than deficits and losses and ratings. It comes down to policy. I am not recommending the use of all reserves in this budget, I don't think it is in the interest of the town. They are reported, we know where they are, they are accounted for, they are just not in this budget.

Mr. Killen asked, are we really in that good shape when our money is being held and not being used to lower taxes? We have screamed in the past about the electric rates and they finally came down. We screamed about the water rates going up and now they are not going up as much as they were going to. Do we have to keep screaming to you so that people will find out what is happening to their dollars? We are playing cute games here and I don't like them. The thing that disturbs me the most is that, according to the Town Attorney, under the way the Charter is written, there is no way should the Council take any action on this budget and you veto it, there is no time left for the Council to override the veto even if the Council had the votes to do so. We are a bunch of dummies up here with no power. I don't believe that is why we are elected. I hope someday that the people out there will become aware of the fact that they have put us in this position.

Mr. Zandri stated that he was at a meeting the night before which dealt with additions to the schools. He asked the Mayor if there were any provisions in the budget for the plan of expanding on the schools?

Mayor Dickinson responded, I don't believe we were requested to place any money in the budget and there is none to my knowledge for that project. There is money for the Sheehan roof and repairs to oil burners which total over \$1 million jointly. Those are the only school projects other than existing debt.

Mr. Zandri: So this 1992-93 budget which takes us to July of 1993 there is no dollars at all for any kind of building program for the schools?

Mayor Dickinson: That is correct.

Mr. Doherty asked the Mayor to explain how he arrived at the figure of 4.4% increase in the education budget?

Mayor Dickinson: We reviewed the salary requests minus new positions which equalled approximately 4.2%. Other lines were scrutinized as far as level of expenditure and recommendations are made on those lines. I felt that it was necessary that spending come in below a 5% level given the state of the economy and the lack of revenues. In the final analysis, going through that process 4.4% was the figure arrived at.

Mr. Killen stated that the figure for the 1991-92 appropriation in the Electric Division shows that supposedly the income was going to be \$322,242.00, the last he remembered the Division was predicting a deficit, how did that change in the middle of the year?

Mayor Dickinson stated that he would have to check into that. He thought perhaps brackets had been omitted from the figures. He will contact Mr. Killen on this matter.

There were no other questions from the public or Council at this time.

A motion was made by Mr. Parisi to Adjourn the Meeting, seconded by Mr. Holmes.

VOTE: Papale was absent; all others, aye; motion duly carried.

There being no further business, the meeting adjourned at 8:10 P.M.

Meeting recorded and transcribed by:

Kathryn F. Milano
Kathryn F. Milano, Town Council Secretary

Approved by:

David J. Doherty
David J. Doherty, Vice Chairman

April 14, 1992
Date

Kathryn J. Hall
Kathryn J. Hall, Town Clerk

April 14, 1992
Date

TOWN OF WALLINGFORD
GENERAL FUND
REVALUATION IMPACT ANALYSIS

| Recommended Budget 1992-93 | 10-1-90 (FY 91-92) | 10-1-91 Unrevalued | 10-1-91 Revalued | | | | | | | | |
|-----------------------------------|-----------------------|-----------------------|------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | | | Full | 5 Year Phase In | | 4 Year Phase In | | 3 Year Phase In | | 2 Year Phase In | |
| | | | | Option 1 | Option 2 |
| Average House | 49,700 | 49,700 | 101,500 | 57,240 | 54,230 | 60,175 | 56,405 | 64,815 | 60,175 | 73,950 | 68,585 |
| Average (2) Automobiles | 7,200 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| TOTAL | 56,900 | 56,700 | 108,500 | 64,240 | 61,230 | 67,175 | 63,405 | 71,815 | 67,175 | 80,950 | 75,585 |
| Property Tax Rate | .0423 | .0406 | .0242 | .0401 | .0419 | .0385 | .0405 | .0360 | .0382 | .0319 | .0339 |
| Property Taxes | 2,407 | 2,302 | 2,626 | 2,576 | 2,566 | 2,586 | 2,568 | 2,585 | 2,566 | 2,582 | 2,562 |
| Difference to 91-92 Taxes | | (105) | 219 | 169 | 159 | 179 | 161 | 178 | 159 | 175 | 155 |
| Difference to Full Implementation | | | | (50) | (60) | (40) | (58) | (41) | (60) | (44) | (64) |

Appendix II

TOWN OF WALLINGFORD
GENERAL FUND
REVALUATION IMPACT ANALYSIS

| | <u>1990</u> | | <u>1991 Unrevalued</u> | |
|--------------------------|----------------------|------------------------------|------------------------|------------------------------|
| | <u>Assessment</u> | <u>Taxes</u> <u>.0423</u> | <u>Assessment</u> | <u>Taxes</u> <u>.0423</u> |
| <u>Real Estate</u> | | | | |
| Residential | 605,772,935 | 25,624,195 | 614,775,585 | 26,005,007 |
| Commercial | 134,469,565 | 5,688,062 | 136,708,700 | 5,782,778 |
| Industrial | 167,932,150 | 7,103,530 | 168,726,750 | 7,137,141 |
| <u>Total Real Estate</u> | 908,174,650 | 38,415,787 | 920,211,035 | 38,924,926 |
| <u>Personal Property</u> | 156,911,573 | 6,637,360 | 163,608,831 | 6,920,653 |
| <u>Motor Vehicle</u> | 120,968,547 | 5,116,969 | 118,029,337 | 4,992,640 |
| <u>Total</u> | <u>1,186,054,770</u> | <u>50,170,116</u> | <u>1,201,849,203</u> | <u>50,838,221</u> |