

TOWN OF NEW LONDON
CITIZENS' ADVISORY COMMITTEE
OCTOBER 29, 2005

PRESENT: Cindy Adie, Connie Appel, Peter Bianchi, Bill Clough, Sue Clough (Selectman), Celeste Cook, David Dunning, Paul Gorman, Bob Gray, Karen Hoglund, Mark Kaplan (Selectman), Marilyn Kidder, Steve Landrigan, Robert Lavoie, Jessie Levine (Town Administrator), Harmon Lewis, Sue Little, Doug Lyon (Selectman), Peter Messer, Noel Weinstein, Stephanie Wheeler.

Mark Kaplan called the meeting to order at 7:30 a.m., and opened the floor to a discussion of the CAC meeting time. Members agreed to maintain the 7:30 a.m. start time for CAC meetings.

At this meeting, CAC members discussed two issues: the property assessment process and the 2005 Tax Rate Calculation.

Mark Kaplan said that the State wants Town's assessments to be as close to 100% of market value as is possible. New London's assessors will be doing physical inspections of a fourth of the Town's properties each year. In the interim between physical inspections, they will do a sales analysis, that is, a review of sales during the last twelve months, to see whether prices have gone up or down in certain areas. It will then be up to the Board of Selectmen to make an adjustment, or equalization.

Jessie Levine said that originally, she sought a figure from Vision to do the statistical analysis while the Town is in process of making the transition to the new joint assessor. Vision gave a figure of \$60,000. As it has turned out though, the new assessor, Norm Bernaiche and his assistant, both from Lebanon, were able to begin in September, and over the past six weeks have done a fantastic job of inspecting those properties which have been sold over the past year. They inspected 125 sale properties, and found an average 19% increase in valuation. On average, Hilltop values are down 3%, Lake Sunapee properties are up 5%, Pleasant Lake properties are up 26%. Properties with views are up 31%. Previously, under the old assessment process, the first acre of a buildable lot was typically valued at \$50,000, while the first acre of a lot with a view was valued at 50% more than that, that is at \$75,000. Now, however, the first acre of a basic buildable lot is valued at \$70,000 and one with a view would be adjusted to double that (for the first acre). The new assessors recommend that the Town establish a view valuation scale, that is gradated values for the different types of views, and they will be working on that over the next year. Also, they will be looking at the different types of neighborhoods.

Paul Gorman asked about different valuations in neighborhoods. Jessie Levine agreed that that is a potential risk, if there is not enough data within a given neighborhood. Right now, the assessors' objective is to recognize the difference between neighborhoods. For example, historically, Woodland Trace and Job Seaman's Acres have been assessed similarly, though those are two very different types of neighborhoods. Doug Lyon said the assessors are also trying to identify individual factors that show a demonstrable difference in the sale prices. The more specific the Town can get in its assessment process, the more accurate the assessments will be. Noel Weinstein said they will need numbers to back up those different factors. Jessie Levine agreed, and said that previously the assessors concluded that an assessment that is within 10% of the market value is good enough. The new assessors are being much more specific, and are trying to differentiate properties, factor by factor. Doug Lyon said that Hilltop is a good example. There is enough turn-over there that they can make a case for the individual factors—such as gas heat v. oil heat, size, condition, etc., for affecting the sale price. The Town has really gone beyond assessing based just on view and location.

Noel Weinstein asked if other Towns are doing the same thing. If they are not, New London may suffer. Jessie Levine said some Towns are, but none in this school district. Mark Kaplan explained that that is where the State comes in. For every Town that has not done a statistical analysis annually, the State applies its equalization formula, and uses that number for the county and state taxes. Doug Lyon went on to say that New London, or any Town, is much better off doing its own statistical analysis and bringing its assessments up to 100% of market value, than waiting for the State to apply its equalized number.

Bob Lavoie suggested that the new process could lead to things becoming inaccurate faster. Jessie Levine said that a fourth of the Town will be physically inspected every year. The goal of the new assessors is to keep up with both sales data and with changes in properties, by inspecting a sold property within a month of the sale, and by recording changes to a property within a year before and a year after a sale. She reminded everyone that if a property owner feels his property has been over assessed, they will call and can meet with the new assessors. (It is less likely an owner will call if the property appears to be under-assessed.) Mark Kaplan added that the increased values that are discovered during the Town's "pick-up" process—vis-

à-vis the building permits, both for remodeling and new houses are added to the grand list. Doug Lyon said the more accurate the data base is, the fairer everyone's valuation will be. He pointed out that any abatements the Town has given have been due to some unique feature on the relative property. That is why the assessors encourage people to come in and talk with them. Whether or not a meeting (between owner and assessor) results in any change to the valuation, it helps to improve the data base.

Noel Weinstein asked if valuations in other Towns influence New London's—on Lake Sunapee for example. Mark Kaplan said only if there is not enough data for the properties on New London's side, would the assessors look at data from the adjacent Town.

CAC members turned to the hand-out of calculations for the 2005 Tax Rate. As of this date, the estimated amount to be raised from taxes in 2005 is \$3,937,206, a 7.3% increase over 2004. (Doug Lyon referred to the section in the middle of the hand-out detailing the process for arriving at amount to be raised from taxes. Specifically, the proposed revenues and shared revenues are subtracted from estimated appropriations, and the overlay and veteran's credits are added. Jessie Levine added that the Town has not yet received its share of the Rooms & Meals tax from the State or all of the funds approved to be taken out of capital reserves.) Using best data available at this date, they project the amount New London will have to raise for the County tax will be \$2,224,908, an increase of 11.8%; for the State school tax: \$2,633,160, a DECREASE of 11.4%; and for the local school tax: \$3,800,450, a DECREASE of 21.3%. Jessie Levine and Doug Lyon explained that the decreases in the last two numbers are due to the legislature's elimination of the donor town payment. For New London, that is a savings of 1.5-million dollars. Noel Weinstein suggested explaining that in an asterisked footnote for taxpayers, and Sue Clough agreed that it could be noted on the slide used at Town Meeting.

There was some discussion on the causes of the increase in the County Tax. The County's costs are mostly for the nursing home and jail. In fact, 65% of County expenses are related to the nursing home. Doug Lyon and Mark Kaplan discussed the "push down effect," of State/County government; that is, the State's placing an increasing number of services within the purview of the County. An example is the State's reduction in Medicare and Medicaid payments for the nursing homes. Anything the State does to reduce its contribution is pushed down to the County level, and then on to local taxpayers. There is little local control here, though one legislative representative from each Town does vote on the County budget.

Returning to the tax rate calculation: The total estimated amount to be raised from taxes is \$12,595,724. The 2005 assessed valuation is \$1,032,847,474. Thus the projected unsubsidized tax rate for Town services is \$3.81. The projected unsubsidized total tax rate (including town, county, state and local school) is \$12.21. Note made that the Town's share of the total tax rate is 31%.

Doug Lyon explained how the Board of Selectmen determine how much of the surplus to use to offset taxes. Upon advice from a Budget Committee member several years ago, the Board's policy has been to retain a surplus that is 7.5% of the Town's budget, and after review of the proposed appropriations and estimated revenues, the Budget Committee supports that figure. Over the years, they have found that that number saves the Town from having to borrow, and is adequate to allow the Town to avoid (sometimes narrowly) cash flow problems during the year. Using that figure again this year, the Selectmen would return \$480,000 of the surplus to taxpayers, that is, use that amount to offset taxes, resulting in a subsidized Town tax rate of \$3.35 down from last year's subsidized Town tax rate of \$3.51 or a total subsidized tax rate of \$11.74 down from last year's subsidized total tax rate of \$14.61. He said that the Selectmen and Budget Committee look at this every year, and have so far have agreed to maintain the percentage of 7.5%

Jessie Levine said that properties whose assessments increased by 20% or less will see tax bills that remain the same or are slightly less. Those properties with a 5% increase in valuation will see lower tax bills. Those properties whose assessments increased more than 20% will probably see an increase in tax bills.

She went on to provide some details on the overlay line item. They have budgeted \$400,000 for this year as they are still closing cases from the revaluation. So far in 2005, they have returned \$240,000 in abatements. However, after this year, as a result of the more efficient and accurate assessment process now in place, they hope to return that amount to its former low levels. Next year, she anticipates requesting \$30,000 for overlay.

She said they would like to get the tax bills out next week. They must pay the County bill for over \$2 million next week. She and Doug Lyon went on to explain the timing of cash flow and budgeting which are different. Mark Kaplan pointed out that

the Town only receives income from taxes twice a year—in December and June. During a 12-month year, there is a huge variation in the timing of bills due to be paid, and income generated by taxes. They do try to keep a minimum responsible surplus, but return the rest of it.

Bob Lavoie asked what items are contributing to the 7.3% increase in the Town's portion of the amount to be raised from taxes. Jessie Levine said that number will go down a little, when the Town receives its portion of the Rooms & Meals tax, and the funds from capital reserves. There will be a 15% increase in the health insurance, and cost of living increases to personnel. Otherwise, the increase is due to a variety of additions to the budget. Bob Lavoie asked if this number—the \$3,937,206 to be raised from taxes, includes the proposed capital improvements. Doug Lyon confirmed that, and Jessie Levine said that number also includes the overlay.

Doug Lyon said the nine person Budget Committee looks very carefully, line by line, at the budgets proposed by the departments. This year, the Budget Committee broke down into smaller subcommittees for even closer scrutiny of specific items within the larger budgets. Sue Clough reminded the CAC that the Town must budget for an entire year. It budgets in anticipation of full staffing and in anticipation that every project will be completed. In reality, there is turn over in personnel, and weather and other factors prevent every project from being completed every year. Therefore, at the end of the year, there is a surplus.

Peter Bianchi asked if the Town ever needs to get into the surplus. Doug Lyon clarified that the Town does use the surplus to manage its cash flow without having to borrow. The Town has never gone below zero. Jessie Levine said that it would be illegal to have a deficit. Peter Bianchi asked, if the Town still has a surplus at the end of the year, how can this be described as a no-fat budget. Doug Lyon reiterated Sue Clough's earlier remarks that the Town budgets for full employment including both salaries and benefits. There will be gaps. In addition, the Town budgets for uniforms for many employees, not all of whom take them. Also, not all highway projects are completed, and some are completed under budget as for example, during the year that Richard Lee was able to get asphalt at a better price, as a result of the State doing similar work nearby. Peter Bianchi asked if the amount of surplus kept could be reduced from 7.5% to 5%. Jessie Levine said that even with the 7.5% surplus, the cash flow situation is tight. She reiterated the discrepancy in timing between bills due and income from taxes. Peter Bianchi said the Town used to use tax anticipation notes. Jessie Levine pointed out that there was a cost to those as well. Peter Bianchi agreed, there was a line in the budget for the interest on the TANs. Mark Kaplan assured that the Town's credit is good. They haven't had to borrow in years, but could if necessary.

Stephanie Wheeler asked if the Town has considered billing (property taxes) quarterly. Jessie Levine said Concord is the only city that she knows of that does that. She said that the billing process is labor intensive, and doing so quarterly would be impractical in terms of the amount of time required.

Marilyn Kidder asked about the rate of appreciation in the various classes of properties. Jessie Levine said that each class was analyzed and adjusted separately if possible. The average (rate for that class) is the result of the analysis. She cited an example of a property which recently sold for \$606,000, but which is assessed at only \$439,000, or 63% of its sale price. The assessors inspect each property after a sale and try to identify what factors contributed to its sale price. However, it would be illegal for the Town to "chase prices."

Marilyn Kidder pointed out that the Town's assessments will always be a year behind. Jessie Levine said that the assessments are supposed to be effective as of April 1. The new assessors looked at sales as recent as June, July, August, September. They plan to stay as current as possible.

Marilyn Kidder asked if any classes went down based on the data. Jessie Levine said that within Hilltop, the average change was down by 3% and the median reduction was 6%, meaning that half of the properties went down by 6% or more and half went down by less than 6% or went up. Among properties along Lake Sunapee, the average change was a 5% increase and the median point was 0, meaning that half of the properties went up and half went down. The assessors' objective is to inspect each and make a determination of why the changes occurred, what factors contributed.

Steve Landrigan pointed out the difference between appraised value and assessed value. The first is a market determined value, and the second is a formula calculated value. Doug Lyon said that by law, the Town's assessment is supposed to be at 100% of market value. In an ideal world, assessments and appraisals would be the same. Mark Kaplan agreed that there will always be some variation between appraised value and assessed value.

Sue Little expressed some concern that the Town is creating a false value in assessing factors as mountain view or lakeside. She suggested that too much emphasis is being placed on the natural value, rather than on factors such as the construction and materials quality. Sue Clough pointed out that the natural factors are why people are buying property in Town, and Mark Kaplan said the State says that assessments must be based on market value. The Town does not have a choice. Noel Weinstein asked if the Town is therefore "double counting." Jessie Levine said, no, the land and building assessments are two different things. A house in and of itself would be worth the same anywhere in Town. Doug Lyon said New London's assessments are never higher than market value.

Bob Lavoie asked how the various factors are weighed. Jessie Levine said that is part of the sales analysis. Doug Lyon said the assessors cut the sale prices in as many ways as they can. Each time, they test for those factors. They rate each factor and determine its impact on the sale price. Bob Lavoie asked about process when there are multiple factors to consider within one property. Would there be a diminishing return on some of the factors? Doug Lyon said the market value may take into account all the factors. Stephanie Wheeler said there may be diminishing returns on some factors. They are not going to multiply each factor by the same amount. For example, there is a difference between a 180-degree view and a 25-degree view. Jessie Levine agreed, pointing out that there are twenty grades of construction quality and the highest, custom + 70, may reflect the diminishing return.

Peter Bianchi asked what happens if there are not enough sales within an area of Town, on the smaller bodies of water for example. One or two sales during the year may not be representative. Jessie Levine said that in that case, the assessors may not use only those sales in assessing the properties on that body of water.

Peter Bianchi opened some discussion on the view tax controversy in other Towns. In one of the cases, the Court supported a 400% increase in valuation based on view, not the 600% Avitar recommended. In the other case, the Orford Selectmen decided to not use a view factor at all, and that decision is being reviewed by BTLA. Jessie Levine said the legislature is looking at this issue. Right now, New London is under-capturing its view values. The Town has only two variations in view valuations, but will review that over the next year. Doug Lyon said that the Town will have to be able to support that the varying view factors make a difference in the sales prices.

Marilyn Kidder asked if the tax cards will still be on-line. Jessie Levine said that Vision will still update the tax cards on line. They can be reached through the Town's web site under "Assessors." They have removed the requirement for a log-on process.

Noel Weinstein clarified that the upcoming tax bills will be affected by the most current assessment. Mark Kaplan confirmed that, and went on to point out that the first tax bills of the year—those received in June were for half the year's budget. The December bills will be adjusted for the balance, plus the new assessments.

Noel Weinstein asked if column 1 in the tax rate calculation hand-out are Actual figures. Yes.

Marilyn Kidder asked to confirm the statement made earlier that it is safe to say that properties whose values went up less than 20%, will see lower tax bills because the tax rate has gone down. Yes.

Meeting adjourned at 9:10 a.m. Next meeting of the CAC will be on December 10 at 7:30 a.m.

Respectfully submitted,

S.A. Denz
Recording Secretary