



FINANCE COMMITTEE

**Meeting Minutes
July 20, 2012
Room 210, Billerica Town Hall**

Meeting was called to order by Mary McBride, Chairman, at 7:00pm.

Members	Present	Absent	Excused	Arr. Time	Dep. Time
Mary K. McBride, Chairman	X				
Thomas Aquavella, Secretary	X				
Mark Efstratiou	X				
Ed Giroux	X				
Patrick Logue, Jr	X				
Rino Moriconi	X				
Scott Morris	X				
Philip J. Newfell	X				
Kathleen Paulsen			X		
John Piscatelli			X		
Anthony Ventresca	X				
John Griffin, 1st Associate				7:03	
David Howe. 2 nd Associate	X				

Mary thanked everyone for attending on this beautiful evening. Mary said that this evening had a small agenda starting with the chief assessor, Richard Scanlon, who would share some information with us. Rich had a handout for the committee. Rich said the handout is part of the package he gives to the Board of Selectmen (BOS) every year when they set the tax rate. The last 2 pages of the handout are last year's recaps. Rich then went on to explain the handout.

The first page is a summary of proposed tax rates with proposed CIP shifts. He did explain that Chelmsford did not use the CIP shift, that both residential, commercial & industrial pay the same there. He then went on to explain the rest of the handout.

Rich said that assessment is what is key for us for valuating property. For FY 12 the assessment is as of January 1 of the starting year. It takes 1 year to 18 months for assessment to reflect. That is state law Chapter 59. There are some towns that have moved that date to July 1. We resisted and he doesn't; see any reason for changing. Right now in calendar year 12 we will capture it in year 14. It takes awhile to catch up to the market. Page 2 assess values over the last 3 years and the tax burden, basically what is residential value and what is business value. The decrease in valuation is about 5.7% which is a substantial drop due to the real estate market. Next portion shows who shares what globally. We have a 60/40 split here in Billerica. Next was the historical tax levy, all taxes that are collected.

Residential market seems to be stabilizing. Dept of Revenue came in for our tri annual evaluation and residential median stayed about the same. As you lower the shift the residential tax rate goes up.

Page 8 shows typical R&D in town. Those values have started to fall and those properties are decreasing in value and tax. We are 15 to 20% vacant in R&D. He said it is getting better the last 12 months but still low from an income approach.

Rich then explained what the 2-1/2% tax limit means and what our levy limits are. The Department of Revenue gives us the actual amount we can raise based on Proposition 2-1/2. Doesn't mean we can raise \$132M in taxes. Tony said that

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is there so that you are limited on overrides. Levy number is short term for the Parker school (97M) and it will get larger. It will be higher. That is how the levy limit is calculated and what we can raise.

Mary asked about new growth: Rich said it is anything from a new house or new business that is ready for Jan 1. Condos, additions, personal property, new piece of equipment within businesses all gets put together and gets approved by DOR. Not a calculation but it is done by appraisers who go out and check status of building permits and that all gets crunched on what we send to the DOR. New growth is delayed the same as evaluation asked David, yes per Rich.

What happens if businesses leave? Rich said one of the problems with personal business is we have to take a snapshot on January 1 of what is there; a staffer rides around in December. We do miss some businesses. Rich ran into one business last year, they opened in April and closed in October. That is what the abatement process is for. There are write offs that the assessor will send us and we can then write them off. Personal property is a nickel and dime account and some of our largest accounts or personal property are: Mass Electric, and Comcast.

Page 11 is a history of the tax levy in the town and the limits and how it compares. Richard Montouri requested this when he was Town Manager here.

Page 12 has the new growth spreadsheet and you can see the growth is not good. 2011 increase was a new R&D (EMD Serono) coming into town. As you can see it dropped down significantly last year and this has been approved by DOR. Comparative breakdown among our neighboring towns and what the shifts are there. Most of the towns are like us. Some stay the same.

14 – First page of Fiscal 2012 tax recapitulation – page 17 appropriations is what comes out of town meeting, spring & fall. Previous page is local receipts that we have to give to the state. Annualized FY2011 and estimated for FY2012 and this is done by Paul Watson. Conservative approach works very well for the town. \$131M ties to page 4 that we just went over. Some of these numbers come for the State Cherry Sheet. Page 14 shows where it all ties up to. Explained what Commercial and what Industrial was.

David: personal property? What type of business you have? It is better to have a corporation than not for a business. If a business is incorporated then they pay a Mass corporate tax so that a business like the old Iverson Ford all there cars were exempt from personal. The machinery to repair brakes however would be considered personal property. Some businesses not incorporated, like a barbershop, everything they have is taxable as personal property. Wiser to incorporate but it costs you money to incorporate as well. There are some communities that like Salisbury which has a second home personal property tax and they tax your furnishings.

Tony: asked how you would handle a levy and that was answered by Rich. Tony is there a formula? Rich would take it and run it through a program. Mary: you can't do something that only affects the residents. The tax levy is on the entire town. If \$100K it would be 60% to residents and 40% to businesses. Tony said we come up with a number how did we come up with the number. Rich took the amount and ran it through the program. David: the process in Billerica is that the Mass Appraisal process? Rich said yes it is. What it basically does is Mass appraise versus fee appraisal is what we do here. We infer what the arms length meaning search sales to make sure they are representative of the market. We end up with between 250 to 300 good sales a year and go from there. We infer and break it into neighborhoods as well. DOR requires that we are plus or minus 10% of the curve. ASR compares the assessment to sales price, if 1.5 and the property sells for over or under then we investigate. We report to the DOR and they verify all our information. Business is done differently. The rents get reported to us according Chapter 59 and we compare the rents against the expenses to incur and get a net operating incoming and that is what we use. Sales, income and cost are the approaches that are used, but we use the income approach. We have about 1000 business properties, we do not use income approach on all of them but we do on industrial stuff. Scott: is there anything that captures the taxes that are lost for properties that are vacant. Rich said no. Just because a property is vacant doesn't mean it is not taxed. The point is we won't tax it as high as if it was occupied. Businesses want to build to their own spec. They basically buy the building and bring it down to the steel and bring it back up. David: do we do the same thing on properties owned by banks? Rich they pay the full freight usually. The banks are usually more interested in getting rid of the property. There have been a few times when we do lower the taxes. Electronic Ink (E-Ink) is coming and one of the things they are going to expand what they do. FY2013 it should be done. Mark: how does improving Middlesex Turnpike work. Rich explained that when you improve the infrastructure business will come and improve the building. If the state was really on top of this, trying to improve the infrastructure it seems like these business want to come in and make their own properties. Let's buy this property and

raze the buildings and sell it empty. In theory if you look at it from the opposite standpoint, no road capacity, no water, no sewerage then you are off the chart and not in the ball park. You need the infrastructure. If you build it they will come. Scott: this package goes to the BOS when? Rich: Usually the first Monday in December. Explained the process and said this is most of the package but there are a few other things. Mary in your letter last year you warned then about business rates being too high last year. Capitalization rate is an effective tax rate. As that rate climbs and it gets higher it decreases the value of the property he would rather see the business tax rate lower. In 95 it was just under \$40 and at one point it was in the mid 20's and it is starting to climb back up. Danger from the business standpoint it will decrease the value of the property. He wants to keep it stable. Mark: business taxes lower, what is first? Location and workforce availability are the top but it does include Billerica. Available infrastructure is important, water, sewer, etc. Also being welcomed by the community is important to businesses. If the community throws their hands up then they don't want to stay. Has anyone said to you the business tax rate is too high in the past 5 years? All of those things get meshed into. He would be more concerned if we were the only ones in the 30s and everyone else was in their 20's.

Tony: do you have business that gets valued at a certain amount and they get it abated how do we capture that negative growth? It gets spread out over everyone else. It comes out of the overlay account on page 2 roman number 11d. We tax the business on 100% and if they successfully abate we don't use the new growth figure? No. Overlay account is there to account for this type of stuff.

Mary thanked Rich for coming to the meeting.

Rich did mention that Stephanie is looking for new restaurants to come to town. With new businesses they are looking for more restaurants. The 3 sites that are being bandied, Friendly's, asking rent is high; Tedeschi food people were interested. The Cove has a long history and the last he heard discussion of a gun shooting business in the basement Treble Cove & Republic, a Dunkin donuts was looking at it.

Mary stated that on other business she went to the see the Town Clerk to see what committees require a member from the Finance Committee. She said that the BOS are going to dismiss some of the committees. Central Fire Station Committee for one. Public Safety Memorial was Mary then Doug and they are almost at the end so Mary will go on that. Street Acceptance & Housing Partnership both were in Rino's but he just kept Street Acceptance but if someone wants it he would give it up. Rino will continue on the Street Acceptance Committee. Wilson St. in No. Billerica is not accepted per Phil Newfell. Mary there is also a fear factor and suspicion from her neighbors so only a section of her street is accepted. Housing Partnership doesn't meet very frequently Scott will stay with it. The rest of the committees they just haven't met and in the short term a lot of these will be cleaned up. Health Insurance Advisory is still out there and it has not been disbanded but it has not met for years.

Kathy Paulsen will continue on the Parker School Building Committee. Tom is our delegate to the Facilities working group. Scott: on the committees what is the process to make them go away. In Mary's mind the Town Clerk should make the correct organization do their job and it looks like they will now look at it. If a Town Meeting appointed committee they will dismiss, if BOS, then BOS will dismiss it. Patrick: The personnel board is part of the general by laws. Ed said that we have a quorum on this committee so we should not discuss this now. We will have the problem in the fall. So Patrick will table it to General By Laws. Rino: Housing Partnership was created by the BOS and he thought it was abolished by the BOS. Mary will visit Shirley again when she comes back from vacation.

Over the past year there is an increasing trend which revolves back to the same process, Phil wants a mission statement, Scott wants everything on a web site. The responsibilities of the Finance Committee are limited by the by laws and all finance committees can do a b c without expanding our role. Mary would like to put together a small subcommittee taking the CD (AFTC) and she asked Tom to talk about this tonight. Tom said he has been basically mulling this especially since we have new members. The point is there are a lot of things that we have procedures we follow and it is very difficult for a new member to follow that and figure out what the procedure is for doing it. A good idea if at some point we can put together a policy and procedures manual so people will have an idea of what to expect. Most of these are living documents and certainly the Chair has a lot of discretion as to how things are handled. Tom's proposal is looking for 3 members willing to put this together to see if it would work for us. Good reference point of for us and for outsiders. The BOS and Board of Health have their rules and regulations. Mary asked Phil if he wanted to add anything. Phil thinks that a mission statement is a lot of things. He said that Mary had sent out 2 things the past 2 weeks. Most of the new people don't know this especially the tradition of reorganization. He had forgotten it went by the senior member. Policy guidelines, he thinks that Mission Statement looks professional and it gives us something to shoot for. Mary said it hit

home last week because she went to get something from Shirley and she had to be reappointed 3 years in a row because she kept changing positions. Associate members needed to be sworn in because she did not know that. Ed said it is outside the purview of this committee. Mary said there was no letter sent and it should have been covered in our policy & procedure and you should get a letter from someone that these are the rules. Do you want to think about being on this committee, Tom do you need to take a vote? Tom's suggestion would be that people send Mary an email if you want to be on it. Scott would like to be on it. They will work out the details and they will then come back to the full committee with recommendations. Rino thinks we should concern ourselves with organizational things. Ed said we have 2 members absent and he suggested that Mary send an email to everyone tomorrow about this new subcommittee to see who wants to be on it. David asked if other towns had rules and regulations and Mary said she has a meeting tomorrow and she was going to ask those questions.

A motion made to accept the minutes of the meeting of June 25, 2012 was as follows:

Motioned by:	Ed Giroux
Seconded by:	Phil Newfell
In Favor:	8
Opposed:	0
Abstained:	3

Mary then turned the meeting over to Rino Moriconi the longest serving member of the Finance Committee for the reorganization segment.

Chair Rino Moriconi put in nomination for Mary McBride as Chairman. Ed Giroux seconded the nomination and it was voted 11 in Favor and 0 Opposed.

Chair Moriconi then nominated Tom Aquavella, Secretary, as Vice Chairman, seconded by Ed Giroux. Scott nominated Tony Ventresca for Vice Chairman and Patrick Logue seconded it. The vote was as follows: 8 votes for Tom Aquavella and 3 votes for Tony Ventresca.

Chair Rino Moriconi then nominated John Piscatelli as Secretary, seconded by Ed Giroux. Rino said he had recommended John because he had done such a good job on the Yankee Doodle Bike Path subcommittee. Tony nominated Scott Morris and Patrick seconded. The vote was: 7 votes for John Piscatelli and 4 votes for Scott Morris.

Nominations are closed and meeting turned back over to Mary.

Mary said that to Rino's point a nominating committee should be in the rules and regulations draft.

A motion was made to adjourn the meeting as follows:

Motioned by:	Ed Giroux
Seconded by:	Mark Efstratiou
In Favor:	11
Opposed:	0
Abstained:	0

Meeting adjourned at 8:46pm.

Submitted by:

Barbara A. Doherty,
Recording Secretary