

Town of Barrington
Committee on Appropriations (COA)
Minutes from Meeting held April 10, 2013

Attendance:

COA members present:

Kathy Cadigan (Chair), Tim Sweetser (Vice Chair), Geoff Grove, Joel Hellmann, Rosetta Narvaez (scribe)
Guests: Dean Huff (Town Finance Director), Mike Minardi (Town Tax Assessor), Gary Morse, Margaret Kane.

Second half of the meeting joined by Town Council members: June Speakman, Kate Weymouth, Cindy Coyne, Ann Strong, Town Manager Peter DeAngelis, and Town Clerks Linda James and Merrie De Sisto. Town Council member Bill DeWitt arrived after discussions on the proposed Tax Deferral had ensued.

Administrative:

- Meeting called to order at 7:05 pm. All COA members present.
- Motion moved and accepted to adopt Meeting Minutes from March 26, 2013 as drafted.
- Future Meeting dates: April 18, 2013; Review Materials, discuss car tax, draft proposed budget. April 23, 2013 joint with School Committee to present memo on proposed budget.
- **Agenda items:** COA meets on Tax deferment proposal, COA and Town Council Join Meeting to discuss the Proposal, Road Bond, and other Town un-budgeted initiatives open for funding this year.

COA Considers Senior Tax Deferment Proposal

Background:

Kathy requested this separate COA agenda item to discuss and present COA opinion to the Town Council on the Senior Tax Deferment proposal, which Dean had at an earlier meeting distributed to the COA. The tax deferment program was intended to provide immediate tax burden relief on real estate tax increases for a small segment of the Town of Barrington, specifically low income elderly who might otherwise face a home sale to defray incremental increases in real estate taxes. The program essentially “freezes” the tax to a specific date. The town serves as lender to the applicant on any increase in real estate tax and charges 12% interest, compounded daily. The proposed program establishes program eligibility and restriction criteria.

Discussion ensued on the proposal:

- Kathy stated that she had several concerns with the proposed tax deferral in that she did not agree with the minimum age criteria of 70 and that the program should not extend beyond 10 years.
- Tim’s position was that the Town’s charter on duties of the Committee on Appropriations did not cover this level of input into proposed tax exemptions or deferrals.
- Geoff distributed his treatise on the proposed tax program providing an analysis on the tax exemptions and this proposal offered to senior citizens in town for the COA to consider: *Thoughts on Tax Policy*. Geoff expressed his support of the program but cautioned that the proposal was equivalent to a reverse mortgage and may not be necessarily be in the best interest of homeowners.
- Joel suggested using the Spencer Trust with tax to be repaid with interest however, both Dean and Gary Morse confirmed that the loan repayment for senior tax purposes would not be legal. Joel also expressed consternation that the tax deferment was comparable to a “pay day loan” in that interest on the payment was onerous for the tax payer.
- Rosetta continued to ask questions for clarification of the types of payment options available to senior citizens, specifically did the Town allow of extension of time or arrange for payment on taxes owed? Dean confirmed that he worked with senior citizens requesting tax payment arrangements, but charged the Town’s interest rate for taxes owed through the payment arrangement.
- COA discussed the merits and pitfalls of the proposed program for the town and the tax payer.
- Kathy wrapped up the discussion and indicated no real support for the program as stated.

COA adjourned its first part of the meeting at 7:35 pm.

Town Council joined the COA at 7:35 to discuss several new funding initiatives that had been excluded in the Town Manager's proposed 2013-2014 budget.

COA's input on the Senior Tax Deferment Proposal

- Kathy surveyed the COA members on support:
 - 2 COA members in support (Geoff and Joel)
 - 2 COA members abstained (Tim and Rosetta)
 - 1 against (Kathy)

- **Ann from the Town Council requested input on reasons for the COA responses.**
 - Kathy did not feel that she could provide any real support to the proposal as currently drafted as it did not provide for sufficient tax relief to those most in need and offered too long a loan term than would be prudent.
 - Geoff referred to the analysis paper that he had earlier distributed and felt that the town would be minimally affected due to the small segment of homeowners likely to take advantage of the program.
 - Joel supported the program but reiterated his stance that it would not be advantageous for the senior citizen in its current structure and felt that the Town could combine the program with another one, such as the Spencer Trust to help a few dozen disadvantaged seniors.
 - Tim indicated that he would continue to abstain on the proposal as the Town's charter did not confer this type of responsibility to the COA in preparing and presenting a report on the Town's expenditures and levy to the Town Financial Meeting.
 - Rosetta also abstained but expressed thanks to the Town Council for soliciting the opinion from the COA, since the town's future budget, expenditures, and levies would be affected by the final decision on the proposal. She had abstained as the town discussion on the proposal was still muddy – several options were still in consideration including the long-term use of the Spencer Trust. In addition, senior citizens still had other programs and payment options that they could leverage during tough times, such as the extended payment arrangements they could make with the Town's Finance Department that might be more to their advantage.

- June indicated that the Town Council would be reviewing the recommendation and requested that a representative from the COA attend the next Town Council meeting in which the tax deferment proposal would be considered.

Road Bond

Peter presented his view that the Town Budget should not be encumbered with new debt at this point in the economy and that the strategy was to raise the fund balance to 20% for upcoming major initiatives. Kathy countered with the COA's point of view that the funding for the Town roads had been under consideration for over 5 years, and suggested that a resolution be brought to the Financial Town Meeting for funding the roads through a 10 year bond. Instead, due to the retired debt, the town could choose to fund through issuance of another bond.

Town Council and the COA debated different scenarios on debt versus bond repayment schedules, due to the Town's ability to take advantage of its good credit rating and current low market rates on long-term bonds. Dean indicated that a 10-year bond could potentially be at a 3.5% rate. The Road Bond estimate would lead to a 1.5% increase that would have to be budgeted on top of the 0.59% budget increase proposed this year by the Town Manager. Dean agreed to provide several scenarios for debt issuance and budget implications for fixing major Town roads and firm up the rates by bond term lengths.

The Town Council agreed to support the COA's proposal of a Road Bond up to \$4 million in the upcoming FTM presentation.

Bay Team Budget

Peter indicated that while the program was commendable, it was completely funded by a five-year external grant that was due to expire in September. The Town Budget does not cover upcoming program costs in the proposed budget. Peter confirmed Rosetta's question that the Town currently provides Town premises to the Program free of charge. Both COA and the Town Council were comfortable with the Bay Team Program reapplying for its external grant funding, which also taps into federal match funding to fund current positions.

Appeals Funding

Joel expressed concern that the fund balance surplus be set aside for any emerging large tax appeals, which both Dean and Peter assured him had already been accounted for in the fund balance surplus. COA will propose a Resolution to fund up to \$400,000 from Fund Balance surplus to address unexpected tax appeals.

Motor Vehicle Tax

Kathy identified that several COA members (Rosetta, Joel, and Geoff) were in support of revisiting the Town car tax for either exemptions or deductions for those with older vehicles. Barrington is the sixth highest of the RI Towns and Municipalities in regressive taxes at \$42.00 per \$1,000 car tax, with one of the lowest auto exemptions (\$500) and one of the highest tax rates per \$1,000. Dean agreed to re-send the different scenarios that he had presented last year to the COA in the goal to not overly burden homeowners with increased real estate taxes in the COA's attempt to relieve some of the onerous car tax on those least able to pay.

Meeting adjourned at 8:55 pm.

Respectfully submitted by Rosetta Narvaez, COA