

**SELECTMEN'S WORKSHOP**  
**Minutes of 10/01/07**  
**4:00 p.m.**

*Selectmen:*

*Frank S. Michel, Chairman*  
*Peter F. Brothers, Vice Chairman*  
*Robert C. Flanders*  
*Miller C. Lovett*  
*Colette Worsman*

*Town Manager:*

*Carol M. Granfield*

*Recording Clerk:*

*Karin Landry*

The Workshop was opened by Chair Frank Michel at 4:00 p.m. The Chair introduced the Selectmen, Town Manager Carol Granfield, and Director of Administrative Services Brenda Vittner. The workshop format allows for discussion among the Selectmen, followed by public input at the discretion of the Chair.

**W 07-22      Overlay and Fund Balance**

The Town Manager introduced the matter. The tax rates will be set sometime this month. The overlay amount and the amount used from fund balance to offset the tax rate must be determined before the end of October. Past practice has been to designate \$750,000 on an annual basis from the fund balance to offset the tax rate. The Town Manager recommends that the Board designate \$650,000 from the fund balance this year.

Director of Administrative Services Brenda Vittner summarized her overlay recommendation for 2007. An average three-year total for abatements based on the years 2003-2005 is \$67,554. 2006 is not factored into the average because the revaluation contributed to an unusually high overlay. There are three known cases going to Superior Court in 2007. The estimated cost of the cases if they prevail, including court fees, is \$5,000. 22 cases are going before the Board of Tax and Land Appeals. The abatement requests that might come forth in 2007-2008 must also be considered. A \$75,000 overlay is recommended by Brenda Vittner, Carol Granfield and Assessor Jim Commerford. Historically, \$100,000 has been used for the overlay. Dialogue ensued regarding the correlation between overlay and the amount needed to be raised by taxes. An increase in overlay increases the amount that needs to be raised by taxes, if it is not raised by revenues or appropriations. Any additional amount needed for abatements above what is set aside for overlay is taken from the fund balance.

Dialogue ensued regarding the fund balance. Brenda Vittner showed how the loss of \$375,401.29 in 2006 reduced the fund balance from approximately \$2.9 million to approximately \$2.5 million. Because of the immensely successful revaluation, \$265,000 of the 2006 overlay will be returned to the fund balance at fiscal year end.

Selectman Flanders was prepared to make a motion to accept the staff's recommendation that the overlay be set at \$75,000 however, the Selectmen continued with dialogue regarding the fund balance and unused overlay. There must be a warrant article at Town Meeting in order to appropriate funds from fund balance. The Department of Revenue Administration requires the fund balance to be between 5-10% of the gross tax commitment. The statute, set by the DRA, includes county and school taxes as part of the total tax rate and tax commitment. The municipal portion of the tax rate is approximately \$4 of the total tax rate. Dialogue ensued regarding the impact at the county and school level on taxpayers, and the importance of getting involved at those levels. The total tax commitment will not be known until the school and county information is available in July. The Board reviewed last year's financial statements. Dialogue ensued regarding how the use of fund balance affects the tax rate. If \$650,000 of the fund balance is used to offset taxes, the municipal portion of the tax rate will remain stable. If \$750,000 is used to offset taxes, the municipal portion of the tax rate will go down. Historically, fund balance has been used to stabilize the tax rate. \$750,000 has been designated each of the last four years. The Board discussed the effects of the revaluation and real estate market going into next year. Data on 20% of the properties are reviewed each year for accuracy, not including value. Values can be adjusted at the time of the next recertification in 2008.

If the fund balance is not used to stabilize taxes, then it will grow. Selectman Lovett does not support the use of fund balance to stabilize the tax rate. He suggests managing the fund balance in a way that will allow the balance to grow by squeezing appropriations and the budget. If the fund balance is not used to reduce taxes, it can be used to reduce borrowing, realizing significant savings in interest. Selectman Flanders thinks that it is necessary to maintain a balance between use of fund balance and having the tax rate go up drastically. Dialogue ensued regarding the effect of not using fund balance in 2007 on the tax rate. Selectman Flanders suggests adopting a policy for the 2008 budget that will allow the Board to adopt a policy of not using any fund balance at this time next year. He pointed out that many capital improvements have been paid for with no increase to the tax rate. Selectman Lovett is concerned with the decrease in consideration being given to capital improvement projects. The Town favors the operating budget over the capital budget, which could lead to problems with catching up on capital improvements in the future.

Resident Peter Miller would like to get away from the use of placeholders in fund balance. He pointed out that if the Town didn't have the remaining 2006 overlay, it probably wouldn't stay above the DRA recommendations. Resident Herb Vadney pointed out that the taxpayer base is not consistent, and that if fund balance is not utilized, taxpayers might be paying for something now that they will never appreciate.

Although Selectman Flanders was comfortable in making his decision, it was the general consensus of the Board that they need more dialogue on the use of fund balance. The matter will be addressed at the October 15 workshop. Carol Granfield and Brenda Vittner are available for anyone who wishes to meet with them on a one-on-one basis. The meeting was adjourned at 5:20 p.m.

Respectfully submitted,

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Carol M. Granfield, Town Manager

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Frank S. Michel, Chairman

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Karin Landry, Recording Clerk

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Peter F. Brothers, Vice Chairman

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Robert C. Flanders

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Miller C. Lovett

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Colette Worsman