The Claremont City Council held a workshop on Wednesday, January 24, 2007, in the Council Chambers of City Hall.

Members of the Council present were:

Michael Prozzo, Jr.
Deborah Cutts
Heather Bopp
Assistant Mayor Christopher Irish
Mayor Scott Pope
Andrew Austin
William Regan, III
Ralph Swift
James Neilsen, IV

Also present were:

Guy Santagate, City Manager
Jane Taylor, City Solicitor

The meeting was called to order by Mayor Pope at 6:32 p.m.

OPENING REMARKS

Mayor Scott Pope

Mayor Pope recognized and welcomed Charles Reese, Real Estate Appraiser, Department of Revenue Administration (DRA), City Manager Guy Santagate, Representative Larry Converse, Representative Ray Gagnon, Representative John Cloutier, Representative Tom Donovan, Senator Bob Odell, Commissioner Ethel Jarvis, County Manager Ed Gil de Rubio, Assistant School Superintendent Allen Damren and School Board Chairman David Putnam. Mayor Pope read the objective of the meeting.

> To bring together Mr. Reese and Mr. Santagate in a public setting to clarify information given by them relative to the recent city assessment and other relative tax issues facing the City. Include all parties involved in tax issues for the City, i.e. State officials, County officials, School officials, etc. and gather shared input.

Mayor Pope stated the purpose for this meeting was to clarify tax issues, assessing issues and recent tax assessments. The City invited officials from all entities that make up our local and state government to explain what makes up their budgets and to share information as they see fit. No blame is to be placed. Our county, schools and legislators do their best to provide services needed. He thought tonight's process is for everyone to be educated on what the laws mandate. Mayor Pope asked that any members of the public who wish to speak during the Citizen's Forum to sign the list being circulated.

Charles Reese, Real Estate Appraiser, NH Department of Revenue Administration

Mr. Reese gave a quick overview of what his department does and its availability to assist local communities. Whenever a community does a revaluation or a statistical update, DRA (NH Department of Revenue Administration) monitors the work to make sure the information is correct on the property cards. In Claremont, he looked at some physical property record cards and did some after-the-fact testing of neighborhoods. They do this to all communities that do revaluations for quality control. The update that was done in 2006 increased the values to almost market value. The changes made all the properties more proportional. The end result is that the update increased the proportionality between strata and raised the overall median assessed value closer to market value.

Guy Santagate, City Manager

To Mr. Santagate, this meeting is about correcting misstatements about the assessing laws. It is the City's role to collect the taxes and others (schools, county and state) spend it. DRA oversees the state mandates that affect assessing. Tonight he would like to hear from others about how they view the tax situation in our region. In the center of this are Mr. Reese's comments made at an earlier meeting (December 7, 2006). His job is to monitor the fairness of the assessments in this community. In the final report, written by Mr. Reese, there are areas to work on. The bottom line is that Mr. Reese is an expert in that area. Mr. Santagate asked Mr. Reese what is the state of the assessing tax rolls in Claremont. Mr. Reese said the City is right on par. There's always room for improvement, but because the City took a proactive review it is in better shape than some towns. The City is doing pretty well.

Mr. Santagate said Joe Lessard, Interim Assessor, would be speaking a little later, but Mr. Santagate gave some background information on Mr. Lessard. Mr. Lessard has 30 years experience in assessing, 20+ years as a certified NH Assessor and works for MRI (Municipal Resources, Inc.). Mr. Lessard will explain why the update was done in 2006 instead of waiting until 2008 for the full revaluation.

REMARKS BY STATE, COUNTY AND SCHOOL OFFICIALS

State Officials
Representative Larry Converse

Representative Larry Converse, Ward 2, said the county pays the City generously when taxes are collected for them. The City collects all the interest on the money it holds for seven months.

Representative Raymond Gagnon

Representative Raymond Gagnon, resident of Claremont and a member of the County Delegation, said the state representatives act as a legislative body working with the county. There are a number of initiatives coming up on Monday that will have an impact on the tax rate.

He hoped for several future meetings perhaps at the Community Technical Center to discuss initiatives such as capital improvements that affect the tax rate.

Representative John Cloutier

Representative John Cloutier, Ward 1, talked about a bill that he has filed to allow local municipalities to waive penalties on late payments on property taxes. It is enabling legislation. He wants to work with the Council. We are dependent on property taxes to fund education and county government. If the bill passes, it's a tool that can be used or not. He said he is not going to vote for a state budget that downshifts costs to counties and towns and that is why he voted against the last state budget. He will vote against any legislation to shift the tax burden when it comes to county taxes. His constituents are fed up with high property taxes and he wants to do what he can to help them. Mr. Regan thanked Representative Cloutier in reference to the bill that would put power back into local hands.

Mr. Cloutier said New Hampshire is not a "home rule" state. Every power a city or town gets is given by the state.

Representative Ellen Nielsen

Called to say she wouldn't be here tonight.

Representative Thomas Donovan

Representative Thomas Donovan appreciated Mr. Reese coming here. He said the property tax is a terrible tax; it is most unfair. It pits neighbors against each other. He said someday in Concord they will change the system for a more fair tax. Claremont is a relatively poor community and a lot of people had to borrow money to pay their taxes.

Senator Bob Odell

Senator Bob Odell said the DRA has done a fine job in educating and helping local officials. He represents 21 communities and over the years he thinks there have only been two cases where DRA has had to become directly involved and always in a supportive role. He thought the confidence should be there for the DRA. The state of New Hampshire's only involvement with the property tax is the towns do collect the statewide property tax, but all of the money is spent locally. The state of New Hampshire has a General Fund budget of $1.3 billion and we spend about $4.5 billion. The $1.3 billion is from the business profits tax, business enterprise tax, rooms and meals, and others which provide revenue for the state of New Hampshire. The problem for us is meeting the three criteria set by the State Supreme Court by June 30th, or in the near future, of defining an adequate education, giving it a cost and providing a source of revenue for it. There are only a limited number of places to go for revenue and down the road we may revisit all taxes in a major way, because we have to respond to this court decision.

Mr. Irish asked what the end result was for other states that had fought and lost. Mr. Odell said in some cases at the last minute, legislators had come together to try to solve the problem. The issue of targeted aid is very important in this. He understands that every state under court order in the end was allowed to use targeted aid. He feels if resources are not provided to communities that are property-weakest in terms of funding education, then it's just keeping the inequities between the property-poor towns and the property-wealthy towns. Targeted aid will provide money on a per student basis and it is unequal.

Mr. Santagate said the assessed value is the key component in the lack of wealth in a community and that may drive school funding, he hopes. Representative Odell said the goal of targeting aid to communities where there is the greatest need are the assessed valuations behind each student, but the other factors such as free or reduced lunch, some people would like to see an income factor, the equity bill he sponsored would create the criteria to do that. The current law has some of those factors. Mr. Santagate said some states use the age of housing stock as a measurement of need. Locally, we would like to be helpful in that area. Representative Odell said the NH Supreme Court has said you have to have adequacy first and then consider targeted aid.

Mayor Pope thanked the state officials and said he may take up Representative Gagnon on his offer for more meetings with state officials.

County Officials
Commissioner Ethel Jarvis

Commissioner Ethel Jarvis, Unity NH, said the property tax is a real problem. She bought her house 50 years ago for $5,500. She has 20 acres facing Mount Sunapee and pays a lot of view tax even though she does not have water, sewer or cable. She sympathizes with older citizens who bought their home for a very reasonable price and now it's based on the sales of property. The County Commissioners go through the budget with a fine tooth comb to give the social services that are required at the county level.

Commissioner Jeff Barrette

Jeff Barrette echoed Commissioner Jarvis's comments that the county is extremely fiscally responsible. County taxes haven't changed in a couple years, so they are not in the "hot seat."

Mr. Swift asked Commissioner Barrette to list what the county does for us. Commissioner Barrette said the county complex is where the main services are rendered. The county pays for the operation of the correction facility, outreach programs, nursing home, Sheriff's Department and the court building.

Ms. Bopp heard there will be some major changes at the county level and the "hot seat" sits on all of our shoulders. Mr. Barrette said he understands that and that we are unfortunate to be in a poor county. His opinion is that it starts at the federal level; we cannot run deficits, but they can. The county has initiatives to bring forward and they are trying to do it with grant money and with as little impact to the taxpayers as they can.

Commissioner Ben Nelson

Commissioner Ben Nelson said that when a person outlives their assets, is in a nursing home and is on Medicaid, the county tax pays a portion of that. Claremont police work closely with the Sheriff's Department. Social services are something they do for the state and the biggest cost item is just a pass through from the state. The City collects the county tax and then passes it on to the county. He agreed with Mr. Cloutier that there are a tremendous number of passdowns.

Mr. Swift asked for a clarification on the portion of the county budget that is charged from the state. Mr. Nelson said they pay the housing portion of DCYF and aid to the blind and disabled. The social services pays for when a community member ends up in a nursing home other than the county's. Those programs are paid for by the county's property tax. Mr. Swift said that a portion of our rate goes to the state and another portion is paid to them indirectly through the county. Mr. Santagate concurred.

Mr. Prozzo said it is important for everyone to understand that the biggest part of the county's expense is human services at 45%.

County Manager Ed Gil de Rubio

County Manager Ed Gil de Rubio said, for county government, in 2002 total taxes collected was $9.8 million, last year it was $9.2 million. In 2001, the total budget for Sullivan County was $18-19 million and the nursing home expense budget was about $9.2-9.3 million with budgeted revenue of $7.2 million. The budget today is about $25 million. They have streamlined their process. They have had major improvements in capital projects. In 2002, the capital infrastructure was crumbling and maintenance was done, but not properly. The General Fund consists of departments such as the Sheriff's Department, Department of Corrections, Human Services, Cooperative Extension, County Manager, Commissioners Office, Delegation, and general governmental services. They have an Intergovernmental Fund for services provided throughout the county like facilities, HR, etc. Then there is the Proprietory Fund which is the nursing home. It now has a balanced budget. They used General Fund money to write-off back debt of approximately $800,000 from as far back as 2000. One Medicaid bill for $300,000 was not sent out. They now have excellent audit reports. Their surveys for the nursing home are very good this year. They are working on a plan to move forward. Even with adjustments, the County lost $3.2 million in Medicaid reimbursements last year.

Mr. Irish asked what is on the horizon that the county can control. Mr. Gil de Rubio said the county has to deal with communication, restore faith and equity between the administration, the elected officials and what goes on in Concord. The independent assisted living is on the forefront and is ramping up. The criminal needs assessment for the Department of Corrections has to be looked at.

Ms. Bopp thanked Mr. Gil de Rubio for clarifying county services; it is interesting to hear what other groups are dealing with when it comes to monies and trying to help the taxpayer.

Mr. Gil de Rubio said over the last four years, the county has become a regional leader in reference to the All Hazard Health Hazard Plan for the avian flu. They have numerous grants for alcohol and drug abuse. Their services are available to other municipalities.

School Officials
Superintendent Jacqueline Guillette

Called to say she wouldn't be here tonight.

Assistant Superintendent Allen Damren

Assistant Superintendent Allen Damren said of the school budget, local property tax pays 46%, state government from all sources is 39%, federal grants is 10%, and the balance is made up from tuition, building rental fees, etc. From the state government, the schools get building aid and they are entitled to 30% of whatever the debt service is, not including interest. At the end of next year, they will have two of three bonds paid off. Then the school will only have $3 million debt that the school is covering. That debt was incurred 11 years ago for remodeling and expansion. They have six buildings with approximately 1900-2000 students. They have over 170 teachers, over 90 paraprofessionals, and bus drivers, food service employees, administrators, secretaries, custodians, etc., that are responsible for keeping the schools operating and taking care of the community's children. In terms of the adequate education grants, this is the third year out of the last five that the school budget will go before the voters without knowing how much state aid they will receive. This year, they are estimating $10.5 million in the budget although they are entitled to $11.5 million.

Mr. Regan said people have asked if the City raised the inventory, why wasn't the per-thousand reduced. He said we had to cover anticipated, but not received state funds. He said the schools highlight the issue of having to collect for the unknown. He asked Mr. Damren to confirm, which he did.

Mr. Irish wanted to clarify that in reference to state funding of schools, the better the City does, the less money we get. Mr. Damren confirmed.

Mr. Damren said that catastrophic aid and special education aid is received a year after expenses and they don't always get what they are entitled to.

Ms. Bopp stated that the schools have federal guidelines that they must meet without the funding to pay for it and the property owners must pay for it. Mr. Damren confirmed.

Mayor Pope said June 30th is the date legislators are to define adequate education, the cost and how to pay for it. He asked if it affects the grant for this year. Mr. Damren said the budget that will be voted on in March may be affected.

School Board Chair David Putnam

School Board Chair David Putnam agreed with everything that has been said. He said it is important to meet like this in the future. In reference to the school budget process, the situations that drive the increases are: the NASDAQ reports, NH School Approval Standards, No Child Left Behind (NCLB) and the recent accreditation report on the high school. They have to show what the progress will be, when they plan to implement and the cost. The community will continue to see increases to the budget supporting the plans to bring the schools up to the federal standards. It is expensive. If the board doesn't provide services, they can be held in contempt. The budget relies on satisfying contracts, health insurance, maintaining the buildings, NCLB, state standards and the accreditation process. The school district does not want to hold back the economic development of Claremont. They have an investment team looking at the facilities and they will make recommendations on the future of the facilities.

Mayor Pope reiterated the NASDAQ report drives the budget. Mr. Putnam said yes and they encouraged schools to do the strategic plan which is also a state law. From that, they created goals including starting a Facilities Committee whose mission is to evaluate the school buildings to see if they support the delivery of the curriculum. The report shows the school facilities are not supporting the delivery of the curriculum. The School Board accepted the report and started an Investment Committee to create a plan for improving the elementary school buildings and looking at the future of Stevens High School.

Mr. Swift said the federal government seems to know what is best for the students, why is the state having such a difficult time. Mr. Putnam likens it to when elected officials are voted in and at the swearing in, someone else is sworn in. That is how he feels when a budget is voted in using the current legislation, but then they get less money than was voted in. He does not like to be in that position.

Mr. Regan asked if the vote for school funding could be changed. Mr. Putnam said he and Ms. Guillette had asked legislators to use funding for that year to make the budget and any new legislation would go on the following year's budget. In Claremont, the school business year ends June 30th. The vote is March 13th. A deliberative session is February 6th. It used to be tied with the City elections, but the Charter changed the vote cycle to every two years and the School Board is on a three year cycle. He would rather have stayed with the City cycle because it builds community.

Mr. Irish wanted it known that the City and school are two separate forms of government. The City is under the city form of government and the School Board is under a town meeting form of government. Mr. Putnam said the City is run by the City Charter (approved by the voters) and the school by state law. Without the supervision of the NH Department of Education, they wouldn't be able to provide the adequate education needed by the children. Mr. Damren said they went under Senate Bill 2 in 1996. The voters approved a March voting date and changing that would require changing other laws such as hiring teachers.

Ms. Cutts asked if the Charter had not changed, would the vote for the school budget come after they knew how much money they would receive. Mr. Putnam said it wouldn't have changed and if there is a shortfall from the state and because the voters have already voted on the budget, it automatically changes the amount of the bill taxpayers receive because the taxpayers have to make up any difference.

Mr. Regan asked the State Representatives that were present why they don't give the schools a number before it is voted on and why can't they fix it. Mr. Putnam said the legislators have a real tough nut. The notion of sending out money without knowing how it will be spent is something he has a hard time accepting.

Mayor Pope thanked them all for speaking and said he is looking forward to more meetings in the near future.

PRESENTATION BY INTERIM ASSESSOR JOE LESSARD

Interim Assessor Joe Lessard was in Claremont in the 1980s and again in 2000-2001 for 18 months. The goal of the update of values was to strive for equity. The 2005 sales analysis done by the Department of Revenue Administration (DRA) showed areas that were not equitably assessed. Equity means distributing the tax burden in such a way that all property owners pay the same percentage of their property's value as a tax. It is measured by coefficient of dispersion (COD). In 2005, the City's assessment ratio was about 70%. On average, properties were assessed at 70% of market value. The DRA annually calculates the ratio for each property sold and then calculates the overall average and the COD for the community. He gave a Ratio & COD explanation. COD equals average deviation divided by average ratio multiplied by 100. COD needs to be 20 or less to meet state guidelines. Assessing looks at categories (strata) of properties (vacant land, residential and commercial/industrial). Claremont's 2005 Overall Ratio was 70% and COD was 17.1% which is close to 20% and that was the driving force behind the revaluation. The 2006 Overall ratio was 85% and COD was 14.4% meaning the assessment were closer to market value. There is now better equality and the City's ability to defend assessments on appeal is much improved.

How the Ratio Affects Appeals. Mr. Lessard gave this example. If the overall community ratio is 70.1%, the commercial/industrial ratio is 84.8%, and the market value of a specific commercial property is $1 million, the assessed value of the property would be $848,000. If it was appealed and the court determined the property should be assessed at 70.1%, the City would have to refund the difference. Mr. Santagate said this was the driving force for reassessment. It could have cost the City hundreds of thousands of dollars. To bring the City into compliance, we took the initiative to be defensible in front of the Board of Land and Tax Appeals (BTLA).

Mr. Lessard said the difference in assessment ratio between categories and within each category is why everyone's assessment did not go up the same percentage. All types of properties were reviewed, but not all were changed. Condominiums and commercial/industrial were reviewed as well as residential properties. Questions were asked about how values could be placed without visiting the properties. Viewing the property is for getting a physical description of it. The City

had descriptions of most properties on file from the 2003 revaluation. Even without a physical reinspection, the analysis of sales and the rest of the process is done in a similar manner.

Governance of Assessors Actions. Mr. Lessard said the State Constitution, State Statues (RSA), State Supreme Court Case Law, DRA Rules, ASB (Assessing Standards Board) Rules, Professional Code of Conduct and Good Assessment Practices (IAAO) are what assessors need to rely on in providing values for properties.

Mr. Lessard listed some of the RSAs that assessors must follow: NH State Constitution Part 2 Article 6; RSA 21-J:11 Appraisals of Property for Ad Valorem Tax Purposes (what Mr. Reese is doing in Claremont); RSA 21-J:11a Assessment Report (accomplished in 2003); RSA 75:1 How Appraised; RSA 75:7 Oath; RSA 75:8 Revised Inventory; RSA 75:8-a Five-Year Valuation (reappraise to full value every fifth year); RSA 75:8-b Annual Appraisal, Municipalities Over 10,000; RSA 76:2 Property Tax Year (April 1 to March 31); RSA 76:13 Interest (12% per annum); RSA 76:13-b Limitations on Interest When Tax Relief is Granted (tax deferrals for elderly and disabled); RSA 76:15-a Semi-Annual Collection of Taxes in Certain Towns and Cities; RSA 76:17a Interest.

In his opinion the update was required, appropriate and necessary. This does not mean that everything was done perfectly and mistakes could have been made.

Mr. Prozzo asked if 20 or less for the COD was correct and who sets the guideline. Mr. Lessard said that was correct. Mr. Santagate said the state sets it. Mr. Prozzo asked about the reassessment at 17.1. Mr. Santagate said the objective is 0. Mr. Lessard said the COD was 17.1 in 2005 and if nothing had been done, we would have been closer to 20 in 2006. Mr. Prozzo asked how to accomplish 0. Mr. Lessard said some communities assess properties at 97-98% of market value every year. That is probably the best way, but it is more expensive. Mr. Reese said the Assessing Standards Board adopted the COD guideline of less than 20 which is a national standard set by the International Assessing Association. The reason it is not set at 15 or less is become some communities have five or less sales a year; typically it's the northern communities.

READING OF TRANSCRIPT OF QUESTIONS FROM FIRST MEETING WITH MR. REESE; ANSWERS BY MR. SANTAGATE, MR. REESE AND MR. LESSARD

(Note: That meeting was held at the Claremont Senior Center on December 7, 2006. Questions were transcribed by Assistant Mayor Chris Irish)

Dave Belisle

Doesn't this assessment have to be done in October not April according to state statue 76:2 Property Tax Year?

Statute 75:8b Annual Appraisal of Municipalities Over 10,000: provide notice of changes in assessed valuations prior to the issuance of the final tax bill either by individual notice to

property owner, public notice in a paper of general circulation – or by other means deemed appropriate by the governing body:

Mr. Reese said Mr. Lessard covered it well. Claremont did not do an annual update. Dave McMullen, previous Assessor, was not trying to strive for 100% of market value. He recommends publicizing it as much as possible, but nothing was done wrong.

Sherry Jones

Isn't this a retroactive tax bill back to our July tax bill as the Claremont physical (fiscal) year is April 1st to March 31st?

Mr. Reese said the June bill is an estimate from the prior year. The fall bill is technically the first bill of the current fiscal year. It reflects the valuation as of April 1st and reflects the budget that was voted on. The tax rate is not set until September. Some communities did not get tax rates set and mailed until the end of December. The argument to have a valuation and a bill in April is not physically possible for some communities. The earliest time for most is in September.

Can we be turned into a town so the voters can decide the budget?

Mr. Reese said he is just an advocate for values. Mr. Irish said this has to be done at the state level.

Mike Demars

My commercial building on North Street increased by roughly 30%. I was under the impression that it was the single family homes that got whacked and that businesses were sort of left alone this time? Lots seemed to be disproportionately valued in the North Street area.

How are land values arrived at?

Mr. Reese said Mr. Demars is in zone B1.5 and site values in that neighborhood had been valued at residential pricing, including the commercial properties in that zone. Mr. McMullen brought the whole zone up to commercial pricing. Properties were undervalued and the highest and best use for that area is commercial property. Relief would be through the abatement process.

Jim Sullivan

On the City Manager's condo – "Since property values are supposed to reflect the value as of April 1st, and the assessed value had already changed, it begs the question, why was it changed again?"

Mr. Reese pulled all the field cards for condominiums to see if they made sense. In Mr. Santagate's complex, the grading was the same, except for one unit which increased. Mr. Reese

said there were four sales that occurred from January 2005 through February 2006. The average ratio was 88.5%, the median ratio was 85% and it seemed consistent.

Representative Donovan

Is there a rationale for not bringing the condos up at all because there weren't enough sales in that category?

Mr. Reese said there were sufficient sales to gather most of the data. Westwood Village had no sales and they may be underassessed compared to the other condominiums. Most of the complexes appear to fall in the median overall ratio for the community (around 85%).

AJ Maranville

If you have a condo complex, someone doesn't move, it goes down, it goes up, if a new building is built there, what do you put for a sale price on it? The building cost? For an appraiser I want to know how that might affect the sales in Claremont, high or low for the assessment?

Mr. Reese's interpretation of the question was if someone built a new condominium complex and there were no sales, how you would assess it. You try to keep it in line with other similar condominiums based on age and quality.

Judy Moriarty

Will the DRA be adjusting local assessments in line with the crisis of falling home prices in the nation?

Mr. Reese said no, they track home prices nationwide. As of April 1, 2006, overall property values had not decreased a great deal. The DRA is about half way through the equalization process. No towns have gone down more than 6% from the prior year. Actually, most homes on the market had inflated prices. The assessments are still close. Claremont is still below 100% at 85% of market value. If the market is going down and the COD is under 15, the community is in good shape. 2008 is the next assessment review year for Claremont.

Mr. Lessard said that if the market value is down, the assessment ratio would go up and if it is above 110%, it would be corrected.

Unknown Gentleman

Could you give us the formula that's used to determine what our each individual assessment is? Could you give us the database, the size of the sample, and the population of the information used?

Mr. Reese said there is no magic formula. Each neighborhood has its own pricing system.

Mike Lemieux

How do they assess a piece of property like say a newer home, a larger home that's built in the area, how do you arrive at a value for that piece of propert,y like the first, second year if there are no comparable sales in the city?

Mr. Reese said they try to keep it consistent with other properties in the community. Mr. Lemieux's property is a special use appraisal. If there are no comps within the community, the Assessor may go outside the community to find a similar sale and make adjustments for the site value.

Pam Dyer

Who makes the decisions with what frequency these updates happen?

Mr. Reese said by statute it is required at least once every five years, but if statistically the numbers are out whack, they rely on the town using their best judgement or the DRA can petition the BTLA to have it done.

Why did the tax rate not go down proportionally to the increase in values?

Mr. Reese said the overall assessment of the community and the budget drives the tax bill. The school budget went up 14% and the City's budget went up 14%. Mr. Santagate said the 14% does not relate to the property tax portion of the City's budget. It went up about 8% on the property tax and down several points on the tax rate. In the budget is a $3 million bond issue that was taken as income which is a one time item that doesn't reflect an increase in the budget. The bond is for roads and will be repaid with future income. It is not a budget increase. In states where they cap property taxes, they cap net income to be raised. Every other state allows new growth (not from increased values) to be taken into revenue. The City's goal has been to limit the increase of the tax rate to 3%. This is the first year in five years that we have had new growth and have taken some of those new dollars into revenue.

Mr. Lessard said that if the update had not been done, the tax rate would have been $38 instead of $35.

Unknown Woman

Question specific to her property and situation. Was not discussed.

Malcom Fogg

When you talk about Claremont being 30% below market value, Claremont is supposed to be brought up to the market value? Who sets these figures?

Mr. Reese said the Assessor sets the assessment. The 30% below market value was based on the 2005 equalization study done by DRA.

Is square footage the basis for value?

Mr. Santagate said it is one unit of comparison that an assessor would look at.

Was this mandated by the state?

Mr. Reese said it was not mandated by the state. Mr. McMullen was taking a step in the direction that would be required in 2008, instead of having a large increase all at once. Also based on the proportionality that resulted from the 2005 ratio study, he may have feared that the City would receive a lot of commercial abatement applications. Mr. Santagate said that if there is an abatement, only the City pays the money back, not the school or county.

Paul Bonneau

Did the state force the city to do what they did?

Mr. Reese said no.

If they did nothing, nothing would have happened?

Mr. Reese said there would have been no corrective action at this time. It was prudent to make the properties more proportional. It was fiscally sound to do so.

If the state says it has to be done, can the city ask for a waiver?

Mr. Santagate said no. In 2003, the City was under court order by the BTLA to reassess after a dozen years of not doing anything. There was a lot of catch up to do and it cost a lot of money to do it. Mr. Reese said the state can order a revaluation if a town does not cooperate and take the expense out of the tax rate.

Mayor Pope asked how much the revaluation cost in 2003. Mary Walter, Finance Director, said $338,000.

They can use two different rates of interest?

Mr. Lessard said the unpaid taxes are charged 12% interest rate. There is a provision for elderly or disabled to apply for a tax deferral which would be a lien on the property at 5%.

Unknown Gentleman

Why wasn't it all adjusted evenly?

Mr. Lessard said not all properties were even in the first place.

If you pay x number of dollars a year ago, and property's gone up, why aren't people paying at least what the house is assessed at when it's sold?

Mr. Reese said the assessments are possibly below the actual sale price. When a mass assessment is done, you try to keep properties proportional. Mr. Neilsen said the condition of the sale makes a difference on the market.

AJ Maranville

I believe you said, I hope you didn't say, but I believe you said, they can go outside this community on sales to qualify a building in this community to appraise it or were you talking about a bank appraisal?

Mr. Reese said in certain instances, assessors will go outside the community for special use properties for comparison.

Laurie ? Bible Hill

It doesn't seem fair; Claremont has the highest taxes in the State, of any other town.

Mr. Reese said the effective tax indicates she is on the mark. Mr. Santagate asked about the tax bill. Claremont's average tax bill is around the middle of the state.

Rusty Fowler

I understand you have an appointment with the city, what prompted that appointment? What are you going to be looking for?

Mr. Reese said at the time that he had scheduled an appointment with Mr. Santagate to explain what he had to do as a monitor for the recent update and to ask for information from the Assessing Department.

Jim Sullivan

Who is the temporary Assessor?

Mr. Reese said Joe Lessard.

Bob Simoneaux

Question to Representative Donovan: "Is there anything that the people can do about the over spending of the city?"

Mr. Donovan said it is up to the Council, they set the budget.

Mr. Putnam said the voters vote on the school budget.

Mr. Santagate hopes that Senator Odell and the State Representatives will have specific suggestions for the next budget process. He would like to include Representative Donovan and others in the budget process. If they have any suggestions on what departments to cut, or what spending should be cut, the City would be glad to accept those recommendations. He looks forward to hearing from Representative Donovan in the future on what items should be cut.

Cindy Howard

How do we trigger an audit?

Mr. Reese assumes the City has an independent auditor that looks at the books. Mr. Santagate said the auditors come before the Council every year to report the previous year's finding. Last year there were no recommendations for correction by the outside auditor.

QUESTIONS FROM THE CITY COUNCIL; ANSWERS BY MR. SANTAGATE, MR. REESE AND MR. LESSARD

Mr. Prozzo asked about the 90-110% range. Mr. Lessard said the city should be at 100% at least once in every five-year period. Mr. Prozzo asked about the county or state tax rate, in order to tax 15 towns in Sullivan County fairly, should they all be at 90-110%. Mr. Lessard said that is one of the major reasons the DRA does the analysis. They take the town's local value (for Claremont it's now 85%) and divide it by .85 and that is the 100% value. For a town at 60%, DRA divides it by .60 to get to 100%, so then they are comparing 100% values when they set the tax rates for the county and the state. Mr. Prozzo clarified that all 15 communities in Sullivan County are paying their fair share. Mr. Reese said it is through the equalization process. Mr. Prozzo said if there is a tax abatement, the City writes the check for the total abatement and the school and the county don't pay any money which doesn't seem fair. Mr. Reese said they build in an overlay for the City, but not the school or the county so hopefully there is no budget shortfall. Mr. Santagate said it has to be raised on the taxes. Ms. Walter said the City builds it into the City's 3% increase. Mr. Nelson said in defense of the school and the county, the City did the assessment. Mr. Putnam said the voters vote on the school budget and that is what they are expecting in raising the funds. The money still comes from the taxpayers.

Ms. Cutts said the Council has to assess the competency of the City Manager annually. There was no requirement to do the reassessment, but it was done to balance inequities. Mr. Lessard said that if the reassessment had not been done, several commercial 2004/2005 abatement appeals, if valid, would have also been valid for 2006, but with the assessments at 85%, they have a less valid reason to request abatement for 2006. Mr. Reese concurred.

Mr. Irish said with regard to the value added by Claremont Savings Bank and Home Depot; it has been reinvested in the City. Mr. Santagate explained that when we get $100,000 in new

income, we only keep $40,000. If it was increased values, it goes to the tax rate. We struggle with 3% every year and when any new growth comes in, we put it toward the budget for road expenditures, etc. This formula is used in states around the country that cap property taxes.

Mr. Irish asked in regard to the Mill District project and the bond; what will the potential value of that project be? Mr. Santagate said it was initially $14 million with only two buildings, the Peterson and the Woven Label. The number today is $25 million or closer to $30 million from the TIFD that will go toward paying the bond.

Mr. Austin said when we did the revaluation, there was no walk through and the description from 2003 was used. So, what happened with some properties going way up? Mr. Lessard said all sales would be looked at and not all properties would go up the same percentage because they were not all at the same percentage of market value to begin with. The process would be to analyze all of the sales that occurred. They would be analyzed for location, style, size, age, etc. There is something different for each property which could have caused the increase.

Ms. Bopp asked what the percent of error found within a city was. Mr. Reese said they do not track the error rate; they track the number of abatements. So far, 75-80 abatements have been filed which is typical for a community this size.

Mr. Neilsen stated once a value is set for the duration of the TIFD that becomes what is taxed. He was concerned about the $700,000 bond payment. Mr. Santagate said the base value is set as of the execution date. The first payment is due in 2008 and if there is not enough new construction to repay the bond the first year, the money will be taken from the bond principal and it will lower the amount of asset on the books.

Mr. Santagate said that Mr. Putnam mentioned that voters approve the school budget. He asked Mr. Putnam to explain what happens when voters do not vote for the school budget. Mr. Putnam said they have a default budget. Under default budget laws, they are obligated to service the existing contracts (including health insurance). Benefits are taken care of, but no pay raises. Safety issues are also part of the default budget. Mr. Santagate said the City has an indirect democracy in that the people vote on the City's budget when they vote for members of the Council.

Mr. Swift asked if someone files for abatement and they are under-assessed, can the City bill them. Mr. Lessard said the statute provides that if something is missed in the bill, then you have until March 31st to do a supplemental bill and it's only for the current year. If there is a clerical error, then it is corrected for the following year.

Mayor Pope asked about North Street, with a combined residential and business zone, is there a provision to assess a residential lot for less. Mr. Lessard said RSA 75:11 provides for a special appraisal of a residence in a commercial zone to be assessed as a residence. The owner has to ask for it; it must simply be a residence, no multi-family, no business and must be owner occupied.

Mayor Pope asked if a new home was generally assessed at 100% of market value. Mr. Lessard said ordinarily no. In 2003, all of the base values were set as of April 1, 2003. Anything built in 2004/2005 would have been picked up and valued as though it was here in 2003 (at the 2003 value). Now that the basis has changed, anything built in 2007 would be assessed similarly to those here in 2006 as long as there is no change in 2007.

Mayor Pope asked if someone applies for abatement, does the Assessor have the right to do a walk-through. Mr. Lessard said there is a provision for an administrative warrant if there is a reason to believe that a judge would grant one. If the property is not viewed, then the abatement is not granted. Ms. Taylor said one criterion for granting abatement is for the taxpayer to cooperate in providing needed information. Mr. Lessard if the abatement is denied and they appeal, the BTLA has the authority to order the property owner to allow an inspection.

Mr. Nelson said in the TIFD, the City gets all of the increase in value and doesn't share with the county or the school until it's done. Mr. Santagate said the money goes to the TIFD for economic development. The school and county have representatives on the TIFD Board.

CITIZEN'S FORUM (New Questions or Issues not Already Covered, Limited to 5 Minutes per Speaker – Sign up to Speak)

William Corey said he has been here five years and he has issues with the property tax. He had asked Senator Odell earlier if the state is looking for sources of revenue and income, why state officials do not address other taxes to create relief. Mr. Odell said it would never happen with the current people in Concord. Mr. Corey believes getting ahead requires development for more property tax.

Pam Dyer, Ward 3, asked what the percent was after the full revaluation in 2003. Mr. Reese said low 90%. Ms. Dyer asked in two years, how we got to 70%. Mr. Santagate said Washington Street was under-assessed in relation to residential properties. It was reassessed, and the City adjusted mobile homes and the downtown. Adjustments were made going into the revaluation, so we were in good shape going into it. Ms. Dyer asked if 2008 will be a full revaluation. Mr. Lessard said doesn't know what the quality of the physical description is. He thinks it would be similar and the City would attempt to move to market value. Mr. Santagate would like to stay within the guidelines and improve our assessment ratio without spending another $300,000. Mr. Reese looked at some sales, none failed the DRA test and the Assistant Assessor goes out regularly to look at sale properties. There will be a percentage of properties already looked at and he wouldn't recommend a full revaluation. He recommends a thorough field review. Ms. Dyer asked what the cost was for the one just done. Mr. Lessard said there was no additional cost; it was all done in-house. Ms. Dyer said the Assessing office is only open when people work and asked if the hours can be adjusted. Mr. Santagate said it can be discussed. Mayor Pope thinks it's not a bad idea even for Central Collections; he will take it into consideration. Mr. Lessard said while he is here, he can accommodate other hours.

David Putnam further explained the School Board budget. This year the teachers' contract is in the default budget. This is the second year of a two-year contract. Next year the School Board

will negotiate a new contract and it's up to the voters to approve it. If it is not approved, the teachers use the current contract. All the other contracts have to be approved by the voters. Mr. Santagate said the teachers' pay raises are included in the default budget. Mr. Putnam said yes. Mr. Putnam said new language was voted in which obligated the teachers to pay more toward health insurance. In reference to the assessments and the tax bills, this is an abnormal circumstance and if the public were made more aware, there may not have been as many problems.

Lisa Bundy, Ward 2, would encourage future notice even if it is not required. She asked Mr. Reese what the effective tax rate is. Mr. Lessard said it is the local tax rate times the assessment ratio (84.8 X 31.58 = 26.80). Ms. Bundy asked about moving toward market value since it is flexible. Mr. Reese the City is allowed to be at 90-110%, which is about an additional 5% assuming the market and the budget remain flat.

COMMENTS FROM THE CITY COUNCIL

Mr. Prozzo said this was a good education for him. He confirmed we did it right and well; that says a lot.

Ms. Cutts agreed with Mr. Prozzo. She thought advanced warning would have been good. Ms. Walter said a notice of value went out. Mr. Lessard agreed taxpayers need more notice, perhaps monthly articles in the paper.

Ms. Bopp thanked Mr. Donovan for the first meeting. She was disappointed that the people who asked the questions were not here tonight. She would like to look for quarterly billing. Ms. Walter said it will come with a change to the fiscal year and a bond for $8 million. Mayor Pope said it can be put on a future agenda item at the next meeting. Mr. Reese suggested holding revaluation information meetings on Saturdays and his staff is available for those meetings.

Mr. Irish thanked everyone for showing up. In reference to notices, he thought we could do better. He hopes we'll see more cooperation with the state and the county. The issue of adequate education question is how we pay for it. He thanked the taxpayers for showing faith and noted that 95% of the taxes have been collected. He was satisfied with the meeting.

Tom Donovan thanked the Council for this meeting. He thought advance notice would have been good. He hoped to continue with the workshop dialogue. Adequacy of education is the tip of iceberg. Something should be done about the tax. Mr. Prozzo said it has to start in Concord. It will get worse. It can't be funded on the backs of the property owners.

Mr. Austin thanked everyone for coming. This helped him understand. He agreed with Mr. Donovan that something has to be done at the state level.

Mr. Regan thanked everyone. Property values are based on market. He thought it was reasonable that the Council be held accountable for spending the City money, but not assessing properties.

Mr. Swift thought Mr. Lessard's pitch was great. For each increase, there are those paying less. These assessments are self correcting. We could have the same thing again in another two years if development happens.

Mr. Neilsen thanked everyone. He has been through under assessing, level funding and they didn't work. Compared to surrounding towns, we have a lot of services. Our delegation in the state is small, but when the Governor takes a no tax pledge, it's hard on us all. He agreed with Mayor Pope to put on for discussion the quarterly billing. There are a lot of costs involved and it may be easier to work with the people who are having problem paying the bill.

Mayor Pope thanked everyone. He thanked Mr. Donovan for the earlier meeting. He thanked Mr. Lessard for the presentation. He thanked Mr. Reese for coming. He said he is looking forward to having legislative updates March 21 and 28 and talking to the county and school about the initiatives. He'll put quarterly billing on the agenda. He thanked Mr. Putnam for presenting the school side.

FINAL COMMENTS FROM MR. REESE

He said property tax is not the best way to fund everything. He mentioned the Elderly Tax Exemption.

Christine Corey asked to define elderly. Mr. Reese said over 65 and meeting certain income limits.

FINAL COMMENTS FROM MR. LESSARD

Mr. Lessard said the PowerPoint presentation is available.

FINAL COMMENTS FROM MR. SANTAGATE

None

ADJOURNMENT

At 10:39 p.m., a motion was made by Mr. Prozzo and seconded by Ms. Bopp to adjourn.

Motion carried 9-0.

Respectfully Submitted,

Dorée M. Russell
Clerk to the Council