

**CITY OF NORWALK
BOARD OF ESTIMATE
AND
TAXATION
REGULAR MEETING
JANUARY 5, 2015**

ATTENDANCE: Harry Rilling, Mayor; James Clark, Chair; Erik Anderson; Gregory Burnett; Edwin Camacho; Ann Yang Dwyer; James Fiegenbaum

STAFF: Thomas Hamilton, Director of Finance; Robert Barron, Director of Management and Budgets; Donna King, City Clerk; Richard Rudl, Norwalk Public Schools, Chief Financial Officer

OTHERS: Liz Stocker, Director of Economic Development; Mike Barbis, Stuart W. Wells III, Michael Church, John McKennon, Clyde Mound, Shelly Guyer

Mr. Clark called the meeting to order at 7:31 p.m. A quorum was present.

APPROVAL OF MINUTES

December 1, 2014 – Regular Meeting

The following corrections were made to the minutes of December 1, 2014:

Page 1: Mayor Rilling’s name should be included in list of attendance.

Page 2: third paragraph from bottom, the word “from” should be included in between “the cost ranges” and “\$60,000 to \$150,000”; second to last paragraph, “every body’s” should be changed to “everybody’s,” and “in this case” should be inserted between “but” and “it will impact”; last paragraph, “them” should be replaced with “Child Guidance.”

Page 3: first paragraph, “onetime” should be corrected to “one time.”

Page 4: fifth paragraph, it should be included that Mr. Clark noted “it was highly unusual for a department head to be absent when a significant budget request was being considered by the BET.”

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Page 5: fourth paragraph, “and Ms. Yang Dwyer” should be included after “Mayor Rilling”; the rest of that paragraph, along with paragraphs five and six, should be struck and replaced with “Ms. Yang Dwyer suggested a review of possible sites where new construction could be built.”

Page 6: fourth paragraph, the word “even” should be struck before “\$1.3 million”; fifth paragraph, June should be replaced with January.

**** MR. ANDERSON MOVED TO ACCEPT THE MINUTES AS CORRECTED
** MOTION PASSED WITH ONE ABSTENTION (MR. FIEGENBAUM)**

SPECIAL APPROPRIATIONS AGENDA

**** MR. BURNETT MOVED THE FOLLOWING RESOLUTION:**

RESOLVED THAT A SUM NOT TO EXCEED \$7,202 BE AND THE SAME IS HEREBY TRANSFERRED FROM INCREASED REVENUES AND EXPENSE OF BUDGETS TO THE POLICE DEPARTMENT TO COVER OVERTIME REIMBURSEMENTS.

Mr. Barron introduced the item, giving a brief background for the appropriation. He noted police received a reimbursement for assisting with a case, and that they’d received a check for \$7,202. Ms. King then read the statement for the Board.

**** MOTION PASSED UNANIMOUSLY**

**** MR. ANDERSON MOVED TO APPROVE FOLLOWING AMENDED RESOLUTION:**

RESOLVED THAT A SUM NOT TO EXCEED \$43,287 BE AND THE SAME IS HEREBY TRANSFERRED FROM CONTINGENCY TO THE REGISTRAR OF VOTERS FOR PRIMARY ELECTIONS IN AUGUST, 2014

Ms. King introduced the item. Mr. Barron said he looked up the expense for the previous year, since it was identical, which was \$45,000 – so expenses were a little less the past year. He mentioned that they only budget for the gubernatorial. He then said they hadn’t known if there was going to be a primary, so they didn’t put budget in the departments budget, although they did hold money aside in a contingency. Mr. Hamilton asked Mr. Wells if was \$43,087 the right number, which Mr. Wells confirmed. Mr. Wells said they’d zeroed out some of the accounts as they had some greater expenses, but they don’t need any extra at this point. Mr. Hamilton said they generally haven’t prefunded things – they had a discussion about putting money into the Board of Estimate and Taxation

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budget if they're 99% sure there will be a primary, but he noted that it's up to the Board; they have enough money to cover any primaries they're likely to have, and it's not a big deal to take it out of the contingency, and that they could just put it in. Mr. Anderson said he appreciated the report. Mr. Wells noted for the record that Ms. Lyons is absent because she is sick.

**** MOTION PASSED UNANIMOUSLY**

OTHER BUSINESS

**** MR. CAMACHO MOVED TO APPROVE SUSPENDING THE RULES AND ADDING BOARD OF EDUCATION CONTRACT UPDATE TO THE AGENDA UNDER OTHER BUSINESS**

Mr. Hamilton said he'd invited the Board of Ed to give an update on how BOE contract updates were going, but failed to put it on the agenda. He suggested suspending the rules in order to add the contract update in.

**** MOTION PASSED UNANIMOUSLY**

REDEVELOPMENT AGENCY REAL ESTATE PRESENTATION

Ms. Stocker took the floor. She introduced Michael Church. She said he looked at the tables on the second and third page of the packet, which listed such new information as a median number of sales and a median of sales and prices for the past year. She then handed the floor to Mr. Church. Mr. Church then pointed out where the market is relative to historical values. He said that they were at 2003 level as far as median sales price, although they are down 27% for closed units, noting that prices have rebounded since 2012. He noted this information was a week old.

Mayor Rilling noted inventory being down, and asked if fewer people were selling their homes. Mr. Church said that this could be a good thing, because of supply and demand, noting that, historically, 4-5 months is a low supply. He said there are many different reasons why this might happen now, but a lot of the supply was washed away in 2012, so some of that dissipated by 2014 due to pent up demand. Ms. Yang Dwyer then asked how they were doing compared to neighboring towns. Mr. Church compared some surrounding towns to Norwalk for the Board, noting that Darien and Westport were particularly hot at the moment. Ms. Yang asked about the relatively high levels of taxes in Norwalk, and how that affected the market. Mr. Church said historically Fairfield County was more desirable than West Chester because the tax benefits were better here. He noted that tax benefits have dropped recently, however, which impacts the market because people now are potentially moving back to West Chester.

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Ms. Yang Dwyer then talked about high-end real estate in Norwalk, noting that these properties generate a lot of revenue for the City. She said real estate is a big driver for choosing a place to live, noting that the value of living is relatively high because of real estate taxes. She talked about how much the relatively high taxes of Norwalk affects Norwalk buyers. Mr. Church then talked about the two components of this: residential and commercial.

Ms. Yang Dwyer said that if 80% of residential taxes may be paid by those who have a house worth more than \$750,000 house, the bulk of the revenue is at risk because of higher taxes. She noted that if the value in that 80% wasn't maintained, there would be a slippery slope in terms of residential value, allowing for more on the market for a longer period of time.

Mr. Camacho said he just wanted to note that the median sales for the years 2013 and 2014 were slightly higher than the pre-recession number of sales in 2007. Mr. Church said that real estate was affected before the stock market crash; they'd noticed signs starting in 2007. Mr. Camacho then said the point is that they're back to where they were, and on an upwards trend. Mr. Church said they're in a healthy place for buying, but prices have increased. Ms. Yang Dwyer said they can't look at Norwalk in isolation, and that maintaining control of real estate taxes is crucial.

Mr. Church then noted that a "unit" is one apartment. Mr. Anderson asked where most of his sales were. Mr. Church responded that 50% were in Norwalk. He noted that people are drawn to Norwalk because of the multifaceted nature of its diverse geography: there are parks, it's close to NYC, there is the option of waterfront living or country living. He also said that people like the value and size of the houses, but brought to light that difficulties emerged with the taxes and school system. Mr. Anderson then asked the majority of closings would entail. Mr. Church said it is a pretty good mix, but is mostly quantified by young couples and young families.

Mr. Anderson said this doesn't really show what's going on in other towns. He said they have gone up in the \$1.5 million homes +, which is a big portion of tax revenue. He asserted that they're getting a larger quantity of buyers in Norwalk, noting in particular that he was happy for the diversity this alluded to. He wondered what could be done to attract more \$1.5 million and up buyers. Mr. Church said that the primary attraction was inventory, but also contacts. He noted that people like staying with like kind, but doesn't know if it would be to Norwalk's benefit to cater to that mentality.

Mayor Rilling said that they haven't done a really good job of showing people/advertising how much better Norwalk public schools have become thanks to recent innovations. Mr. Church talked about how he went to Norwalk public schools and has done quite well as an alumnus, noting that diversity had been a significant benefit. He said that if there was a list of bullet points, a good thing to put down would be Ivy League schools, and well known schools in general,

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attended by graduates from the public school system; essentially to show all the positives of the system, noting here that opinion is contagious.

Mr. Fiegenbaum asked what the difference was between them and Stamford. Mr. Church said there is a lot going on in Harbor Point and North Norwalk, but noted that Stamford has the development Norwalk's been working toward. Mr. Anderson asked Mr. Church for charts about surrounding towns, specifically Stamford. Mr. Church here issued a word of warning, saying that numbers taken out of context can be misleading.

Mr. Clark pointed out that, per capita, Norwalk demonstrates its commitment to its schools via the percentage of their income dedicated to the development and maintenance of the public school system. He said they realize taxes are high for all the tax-payers. It helps them make a stronger case when looking at ECS funding to strengthen their pillars, and show why they should get more. Ms. Stocker then asked Mr. Clark if he had a chance to look at the equalized brand list, which shows how they stand in relation to other like communities. She said it's competitive not only in terms of attraction, but also in term of it's commercial base. She noted that Norwalk has a very solid commercial base. She said she'd had conversations with realtors of commercial properties about how much properties are going per square foot, how much tenants have to pay – here noting that it's bumping against the ceiling, and is starting to get noticed. She said it's wise to keep taxes down to attract people, and that it needs to be affordable.

Ms. Yang Dwyer then asked what she meant by bumping against the ceiling. Ms. Stocker said she simply meant it's high. Mr. Church said that from an investor's or commercial property owner's standpoint, they can only pass so much on to tenants because of vacancy rates in the area, which in turn makes the sale a less viable investment. Ms. Yang Dwyer then asked where investors were better off, to which Mr. Church responded that it depends on what is being brought to the market. Mr. Clark then thanked Mr. Church, asking if he could prepare some feedback, to which Mr. Church acquiesced.

BOARD OF EDUCATION PRESENTATION

Mr. Barbis began by saying they'd had a big year because all contracts, except for custodians, were up for some type of negotiation. He said they'd gone to arbitration with teachers on a three year contract in which the first two years were set by the arbitrators, and the third year arbitrators ruled that the wage portion of the teacher's contract was a reopener. He said that in the end they provided a stipulated agreement, which is a mechanism of due process. He noted that although Norwalk's teachers were the 5th highest paid teachers in CT, this was very unbalanced when looking at, for example, a teacher of 3 years and one of 30 years. He noted that there was a component of rebalancing this that should have long term effects.

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Mr. Clark then asked if there is a similar statistic as the “5th highest paid teachers” regarding teachers starting out. Mr. Barbis said no: there is something called Conn Cam that has put all contracts online, but no one has aggregated it or put it on a spreadsheet yet. Mr. Barbis then said they looked at their DRG, which is the ECS category they’re in. He noted that Norwalk has similarities to Danbury. He said that the BOE has sought to attract younger teachers, and also grandfathered provisions so that there will be more positive impacts for taxpayers down the road.

Mr. Barbis said that teacher contracts made up 85% of labor bill, and was by far the most important. He said they’d also renegotiated the administrator’s contract. He noted that was the last union not to be on a new HSA insurance, so everyone is on that insurance now. Mr. Rudl then took the floor, saying that only items that were up were wages and longevity. He said they’d looked at neighboring towns, and decided to eliminate longevity completely. Mr. Anderson noted this had to do with what one is paid in relation to the degree one holds.

Mr. Rudl said they had 8 columns, and that they would have grandfathered out all 15+ columns as of June 30, 2015, noting that after those individuals in the 15+ columns progress to the next column, the those columns would be closed. He said that one thing unique about Norwalk was the doctorate column: a Norwalk teacher with a PhD could receive almost a \$20,000 pay increase. He noted that there is no proof that a PhD is more effective for K-12. He then said they decided to transition to a stipend of \$2,500 over the 7th year, and that the bump of \$20,000 will no longer be acceptable as of September, 2015. He also noted that they collapsed the 8 columns to 5 columns. He then said that the instance of a teacher receiving a pay increase of 10% was no longer an option since longevity was eliminated - so the highest wage increase anyone would see would be about 4%. He said this smoothed the curve for the salary table, and that they were looking at about \$1 million. This will also expedite degree level changes.

Ms Yang Dwyer asked if their structure was more aligned with Danbury now. Mr. Rudl confirmed this, then noted that half the towns have it half don’t, but if they instated the 7th year it would affect 50% of the population. Mr. Rudl said employees have been moved to the high deductible plan as of January. He noted They also grandfathered out a \$3,000 dollar add on for simply retiring, and they’d settled with wage increase of 2.5%.

Mr. Burnett then asked, with all these changes, if they were able to come up with annual savings per year? Mr. Rudl said they’d projected almost a 4.5% increase in the next few years going out, which is why they were able to come in under 3%. He noted that severance payments were also going to be grandfathered out. Ms. Yang Dwyer asked what savings would be, to which Mr. Rudl replied they should see around \$1 million per year in savings. Mr. Rudl we came in at 3.3 last year, this year 2.74%, and they’re projecting to be under 3% for 16-17 year. Mr. Barbis

noted that the current year was supposed to be 4% or above.

Ms. Yang Dwyer asked if they could take the money saved and attract younger teachers with competitive salaries. Mr. Rudl said that their hope was to attract younger and better teachers by structuring the payment more efficiently. Mr. Barbis noted that older teachers get compensated quite well. Mr. Camacho sought to clarify that the operative assumption of the severance pay was to incentivize people to retire. Mr. Barbis said this wouldn't affect teachers already in this position. Mr. Rudl added it was just a balloon payment.

Mr. Clark thanked them, as did Mayor Rilling for their hard work and progress. Mr. Barbis said the teacher contract is up next year, and noted that they've started dialogue already. Mr. Clark also thanked Ms. Yang Dwyer.

OAK HILLS PARK AUDIT AND FINANCIAL REPORT

Mr. Barron introduced item, and talked about some of the issues and his concerns. He said the day before Thanksgiving he received financials for October, and did a review. He was concerned that they had about half the cash on hand, and almost twice the pay ups, they had the previous year. On December 10, 2014 they announced that Oak Hills would receive an update during the current meeting. On December 10 they received an audit that was based off a going concern; on p. A17 there are 5 items that the Oakhills Park folks said they'd address. The qualified opinion was based on two things: 1) financial deficit was growing year after year; 2) there had been a concern for remediation regarding the removal of oil tanks – this last which turned out not to be as big a concern as the financial deficit, as they will be able address that concern with the grant money for renovations, when that comes in.

He said they'd received November Financials in December 19, 2014, with explanations and corrections. He said they also wanted to explain that there were some payroll accruals they were making which hadn't been on the payroll in the past. He directed attention to the December Financials, which showed revenues of \$59,967 where normally they wouldn't have any revenue, due to advanced discounted sales. Oak Hills assured him that the dilution of revenue was so conservative that it shouldn't really affect revenue in the long term.

He then said that their balance sheet at end of December shows \$93,727 so the money on the burn rate sheet is all but the 2000 dollar security deposit they don't have access to. This burn rate analysis does tie to their balance sheet, and they are starting with an actual of \$91,000 at the end of December. Mr. Barron then said they are going to look at finance opportunities, which is appropriate for a revenue that has seasonal ebbs and expenses. He noted they go negative in March by just under \$26,000 dollars, but that he does not think that is such a significant number.

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Mr. Clark asked about advanced sales, and wondered if they could get some more clarity about how that would affect the yield. Mr. Guyer said the biggest part of advanced sales was preselling ID cards, which generated a revenue of \$24,000 starting in December rather than in January.

Mr. Anderson then asked when these numbers typically drop off. Mr. Guyer responded that cards start dropping off in April and May. Mr. Anderson then asked when this bump would be actualized. Mr. McKennon replied in March or April. Mr. Anderson then asked if the point was to get the cash in December. Mr. Guyer said yes. Mr. Guyer then said that another \$20,000 was from "gift certificates," i.e. 5 for the price of 4. He they'd adjusted revenue numbers from January through May, and that they reduced revenue to make up for that. Mr. Guyer said that originally he had \$16,000 budgeted for the month of December.

Mayor Rilling then brought attention to page A17. Mr. Clark then asked about the process of reduction of personnel. Mr. Guyer said he is working on that, but that one place they won't do it is maintenance, since they've got a total of 10, whereas competitors have 14-18. He said one position they can reduce is rangers. He talked about having a ranger stationed on the 7th hole for the past few years to help with the blind T, so one of the things they could do is eliminate that person. They've also been running a bag drop; people drive up by restaurant and drop bags off, which added a "body" on certain days, which they will take measures to eliminate from personnel.

Mr. McKennon then noted that they have minimized staffing, balancing equality of employees with talent. Mr. Anderson noted that convenience would bring people back. Ms. Yang Dwyer do you have a caddy program? Mr. Fiengenbaum replied no. Mr. Mound then noted that the blind T was going to be changed so that it wasn't blind anymore.

Mr. McKennon then talked about how their new supervisor has taken on the role of supervising all chemicals used, and that those numbers have been down from 2012 levels. He noted that they have done some spending, but it has been done in a productive manner be more effective with labor resources. Mr. Guyer added that they're also going to do an analysis of credit card fees to see if they can get that lowered. He noted that they have 4 phone lines that they can maybe take a few out from, which should do away with some costs, as more people book online anyway. Mr. Guyer said they are going to redo all the expenses. more

Chairman then asked about capital projects. Mr. Guyer said the grant money that will help them with most of what they're trying to do in regard to that: they can probably do everything using the allotted \$1.5 million. Mr. Guyer also noted that cart passes are really important for revenue. Mr. Mound then noted the relevance of cart paths insofar as rate of play is concerned, which is also tied to revenue. Mayor Rilling then asked if cart fees go to the Authority. Mr. Guyer said

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yes. Mr. Barron then said in the 4 years he's been there, they gave back all the old ones and gave into a new lease which has helped tremendously, as people wouldn't want to get in a cart that would die halfway through the round.

Ms. Yang Dwyer then asked 1) if there was any way they could put together a tax deductible, charitable organization, such that people could make grants or gifts to Oak Hills; and 2) if there were grant money available to establish something like a caddy service, or some kind of summer program where young people could get a good experience out on the golf course, but pay them minimum wage or have them work as interns. Mr. Guyer replied that that had already been done with the bag drop program, noting that a lot of municipal golf courses don't employ caddies. Ms. Yang Dwyer noted it's a wonderful resource, especially for the social good of high schoolers.

Mr. Anderson asserted that so far Mr. Guyer had mentioned a 2 dollar increase in green fees, and asked what other changes they saw happening. Mr. Guyer said that was the only one, and that based off the 37,000 rounds of the past year, they could expect that it would generate around \$75,000 dollars, and a projected increase of 6%. Ms. Yang Dwyer then asked if was there ever any exploration of 501 C-3 benefits. Mr Guyer said he wasn't sure, but they could look into that. Mr. Hamilton said that it would have to be a legal entity.

Mr. Anderson said that ultimately a group of interested people would have to create an entity and apply for the 501 C-3 status, and then they would work in partnership with the Oak Hills Authority to use their donations to increase their vision of the organization at Oak Hill. Mr. Guyer noted they are working on getting people to sponsor golf carts, and other things like that.

Mr. Anderson said he had some questions about the credit lineup, asking if the \$26,000 was taken out one wouldn't necessarily have to pay all that back immediately. Mr. Guyer said no, they'd have until the following October. Mr. Barron then said on p. A18 it says they'd pay 5%, and that it can't be rolled – it has to be paid in a period of 30 days in each year. Mr. Anderson then clarified that he was talking about a disaster scenario, and stated if they had to draw more, as long as there was a 30 day period in that year it would be fine. Mr. Guyer said yes.

Mr. Anderson then asked if, as long as the entire balance was paid off in full, they'd have no issues with loan. Mr. Guyer said correct. Mr. McKennon directed his attention to the burn rate, noting that by June they will be at a \$206,000 surplus, which will continue to grow into the Fall, when it tails off; so the intent is to have a cash surplus so that they don't need to draw down on bank loan when they move into the seasonal slump. He also pointed out that they can negotiate trade terms with vendors. Mr. Clark asked about environmental cleanup, noting that Mr. Barron had some estimates for remediation for the oil tanks. Mr. Guyer said that the people who pulled the tank gave them an estimate of \$35,000 dollars in 2014.

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Mr. Barron said he could give a grant update really quick. He noted that the City's objectives were threefold: separate the driving range part of the master plan from the grant so the grant would be solely park improvements; make sure accepting the grant wouldn't obligate them to complete the \$4.5 million master plan; of the park improvements that were named and estimated, they wanted to make sure they were not obligated beyond the \$1.5 million. He said they've exchanged information, were guaranteed that all objectives were met, and anticipate running it through in February.

Mr. Barron noted that earlier in the evening they'd mentioned moving the operations to a building adjacent to the restaurant. They know that the remediation will be completed with the \$1.5 million. Mayor Rilling said originally they weren't sure if they had an obligation, as there were other things that were contingent on the city to follow through on, so they wanted to separate that, but the law and finance department did a really good job with that.

Ms. Yang Dwyer then asked if there was anything that could be done to refinance the debt. Mr. Hamilton said that any of the debt out there related to the restaurant or debt has been refinanced. Ms. Yang Dwyer then asked about irrigation. Mr. Hamilton said that they have separate loan agreements with the Oak Hills Park Authority that is being used to pay back the City. He said it's not on a 1-1 basis, noting they've restructured the debt 3 times with Oak Hills. He said they've refinanced the City's debt so that they're paying lower interest rates on the debt, and haven't extended those lower interest rates to Oak Hills' golf course because they've gone through the effort of restructuring their debt for them.

ADDITIONAL INFORMATION

Mr. Barron said they have two types of forecast. He brought attention to the green section, and noted that 3/4 categories are well above the 50% mark, noting that all 4 in combination put them at 62.7% of the budgeted amount for the fiscal year, when only 50% of the year has been completed, so they are far ahead. He then said that if one looks at the other way of projecting to the end of the year, they are \$489,000 ahead of plan. He said that they're having a strong performance in these key drivers of their revenue.

Status of Contingency – FY 2014-2015

Financial Reports

- Year-to-date Capital Budget Report – FY 2014-2015
- Year-to-date Operating Budget Report – FY 2014-2015
- Year-to-date BOE Operating Budget Report – FY 2014-2015

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- Tax Collector's Report – November 2014
- Tax Collector's Narrative – November 2014
- Key Revenue Report – YTD

Salary Accounts

- Fire Overtime
- Dispatch Overtime
- Police Overtime

Mr. Hamilton then said that one more thing he wanted to make sure everyone was aware of was that the audit report is out. He said the standard practice has been that the Chair sits on Audit Committee with the Chair of Finance Committee, along with the Chair of the BOE Finance Committee, and that they review the audits with the committee. He said they've had a great year, and things were positive across all fronts., and the operating general fund improved; pretty much all good news.

Mayor Rilling then asked Mr. Hamilton if he could maybe do an executive summary, one to one and a half pages long, as well, after which they can follow up with a presentation. Mr. Hamilton acquiesced.

**** MR. FIEGENBAUM MOVED TO ADJOURN**
**** MOTION PASSED UNANIMOUSLY**

There was no further business, and the Regular Meeting was adjourned at 9:38 p.m.

Respectfully submitted,

Justin Hoffmann
Telesco Secretarial Services

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