

A special meeting of the Council of the City of Norwich was held Thursday, February 21, 2008, 7:00 PM in Room 335 of City Hall as follows:

**CALL FOR A SPECIAL MEETING OF THE COUNCIL
NOTICE OF PUBLIC MEETING**

Pursuant to the Connecticut Freedom of Information Act Section 1-200(2), which provides that "any convening or assembly of a quorum of a multimember public agency" constitutes a meeting that must be noticed and open to the public and Chapter V Section 4 of the Norwich City Charter, we the undersigned members of the Norwich City Council hereby give notice that we intend to meet on Thursday, February 21, 2008 at 7:00 PM in Room 335 of City Hall for the sole purpose of discussing and modifying the attached draft letter pertaining to requesting that the Norwich City Manager cap expenditures and retain a certain amount in the city's undesignated fund balance as he prepares the City Manager's Proposed Budget.

No votes will be taken at the meeting and attendance is not mandatory. Individual members of council may choose to endorse the letter or a modified version of it.

Peter Desaulniers

Christopher Coutu

William Nash

Robert Zarnetske

FOI NOTICE. As of February 12th, ' it is apparent that four members of the Norwich City Council have an interest in possibly endorsing some version of a letter on this subject. In order to ensure compliance with the State's open meeting law, there should be no further discussion of this matter until such discussion can be held a publicly-noticed, open meeting. A notice of public meeting has been prepared.

DRAFT

February _____, 2008

Mr. Alan Bergren

City Manager

City of Norwich

100 Broadway

Norwich, Connecticut 06360

Dear Mr. Bergren:

As you prepare this year's Norwich City Manager's proposed budget, we are writing to urge you to cap city expenditures at _____ % and to keep the undesignated fund balance at _____ % of the total budget for 2008-09. We fully recognize that capping expenditures while putting the rainy-day fund in a lock box will be difficult because of structural increases built into city employment contracts, healthcare costs and the price of consumable products such as gasoline and heating fuel. However, we believe that the burden of high taxes is hurting the city by discouraging business to locate here and prompting some residents to leave the city in favor of more affordable surrounding suburbs. We must stop spending beyond our means and the

recent political changes that have occurred in the city suggest this year may be our best opportunity to institute meaningful budget reform.

Why cap expenditures at [] %?

The City basically has four sources of revenue: (1) State grants-in-aid, (2) the property tax levy, (3) income from Norwich Public Utilities and (4) the real estate conveyance tax. Grants-in-aid have historically paid for about 60% of the total city budget, however they have been declining in recent years.

In FY 2007-08, income from Norwich Public Utilities is likely to increase by about one million dollars - less than one percent of the total city budget. Revenues from all other sources are likely to remain flat or decline.

Given that expenses such as legally-mandated additional contributions to the City's postemployment benefits account will likely be larger than increases from all non property tax sources of revenue, there will be tremendous pressure on the City to increase property taxes in order to pay for addition city expenditures. However, these are difficult financial times for the majority of Norwich's residents. Inflation, unemployment and foreclosures are creating huge economic stresses for Norwich taxpayers.

Property taxes are particularly injurious to residential tenants, those on fixed incomes including the disabled and the elderly and small business owners, especially when the economy is sluggish. With sales taxes, businesses pass the tax onto their customers and only collect more tax when business increases. With usage or consumption taxes, consumers have the option of being thrifty to avoid paying more. With property tax increases, businesses must pay more even as they bring in less and homeowners must pay more even as they loss their jobs or their wages and incomes are frozen. Renters pay more rent to offset tax increases on the properties where they live. Property tax increases in a bad economy hurt those who can least afford it, prevent economic recovery and forestall investment. When we attempt to improve the economy by increasing city budgets to promote economic development we are literally undermining the fundamentals of the economy and preventing economic growth.

Property taxes are also a major impediment to economic development. According to the 2008 Survey of Eastern Connecticut Businesses (conducted by the Connecticut Business & Industry Association (CBIA) in partnership with the Chamber of Commerce of Eastern Connecticut, the Greater Mystic Chamber of Commerce and Liberty Bank) fifty-nine percent of business leaders identified the cost of doing business, including taxes as their greatest challenge to operating a business in the region. That's up from 26 percent in last year's survey, possibly due to concerns over an economic slowdown. We need look to recent commercial development in Lisbon and Montville to understand the beneficial impact of lower property tax rates.

According to the U.S. Department of Labor, the inflation rate for the Northeast is 3.79%.

Why put []% in a rainy-day lock box?

The general fund is used to account for most of the day-to-day operations of the city, which are financed from property taxes and other general revenues. Activities financed by the general fund

include those of line and staff departments within the city. Typically the city maintains a surplus of cash known as the undesignated fund balance ("UFB"). In most municipalities, the "surplus," "UFB," or "rainy-day fund" normally fluctuates as unexpected expenses (clean up after hurricane) or income (an increase in construct permit fees) occur throughout the year.

Some municipalities maintain low surpluses (3-4% of the total budget). Others maintain higher surpluses. In recent years in Norwich, the UFB has ranged from about 8% to about 10%.

In theory we could use the entire UFB and keep a dramatically reduce taxes - at least for a year or two. However doing so would have disastrous long-term consequences because an indicator of a city's credit worthiness. Spending down too much of the UBF would undermine the city's bond rating and would cause the city to incur higher interest rates on its bonded debt. It would also expose the city to problems if a catastrophic event were to happen.

We have each had the opportunity to meet with you, Comptroller Joe Ruffo and Deputy Comptroller Josh Pothier to discuss this year's budget. We each know how difficult the job ahead of you is going to be. We stand ready to assist in any way we can. Please do not hesitate to call on us to help.

Sincerely,

Present at the special meeting: Ald. Bettencourt, Coutu, Desaulniers, Jacaruso, Nash & Zarnetske. Also present were Corporation Counsel Driscoll and City Manager Bergren Absent: Mayor Lathrop. President Pro Tem Jacaruso presided.

Ald. Desaulniers said this meeting was called because some members of the Council felt a cap on any proposed tax increases new year was needed.

President Pro Tem Jacaruso said the Council should allow the City Manager to do his job and he would not support any preset cap on expenditures or sign any letter. Mr. Jacaruso also said there was a lack of teamwork in scheduling the special meeting because not all of the council members were aware a special meeting would be called.

President Pro Tem Jacaruso then left the meeting at 7:06 PM due to an illness.

Ald. Desaulniers said he supported imposing a cap but he realized some departments would receive higher increases than others.

Ald. Bettencourt said he would not sign the letter and he warned the Council that they would be faced with tough budget decisions.

Ald. Coutu said he was concerned about spending taxpayers' money on tax increases.

Ald. Zarnetske said we are four to five weeks away from having the proposed budget printed, and he felt now is the time for us to communicate to City Manager Bergren what principals should be used in preparing the budget.

The Council, after hearing input from the audience, revised the letter to read as follows:

As you prepare this year's Norwich City Manager's proposed budget, we are writing to urge you to cap any tax increase at or below the CPI-Northeast rate of inflation.

We've each had the opportunity to meet with you and are willing to work with you.

Ald. Zarnetske, Desaulniers and Coutu agreed they would sign the above revised letter.

Upon motion of Ald. Bettencourt, seconded by Ald. Desaulniers, it was unanimously voted to adjourn at 8:30 PM.

ATTEST: 

CITY CLERK