

Board of Selectmen's Workshop

December 6, 2011, 6:30 PM

Medway Senior Center

76 Oakland Street

MINUTES

Present: Chairman John Foresto, Vice Chairman Glenn Trindade, Selectmen Dennis Crowley and Andrew Espinosa, and Town Administrator Suzanne Kennedy. Selectman Richard Dunne was absent.

The Medway Board of Selectmen was called to order at 6:37 PM by Mr. Foresto on December 6th, 2011 at Medway Town Hall, Sanford Hall. The Board stated the Pledge of Allegiance

Skip Sansoucy – Value Utility Proposal

The Board reviewed the following documents: Personal Property Account Detail Report by Tax Code Dated 12/6/11 for Tax Codes 505 and 506; Personal Property Account Detail Report by Tax Code Dated 12/6/11 for Tax Codes 508 and 508; Personal Property Valuation Report of Tax Code Accounts 504, 505, 506, and 508.

Mr. Sansoucy (of George E. Sansoucy, P.E., LLC) and Mr. Naser, Principal Assessor, were present to talk to the Medway Board of Selectmen about the value utility proposal. The valuation utility proposal is to revalue Medway's utilities based on the property value of the land on which the power lines are located. Mr. Sansoucy stated that over the last 35-50 years the State of Massachusetts has valued these properties at book value (original cost plus depreciation). Mr. Sansoucy stated the Town should not value property based upon the value from 20 years ago.

Providing examples, Mr. Sansoucy stated that in 2004 he helped the City of Boston revise its utility values. He also assisted with the revaluation of utilities in 1990, both in towns and the state, and Verizon (values on hand). Mr. Sansoucy stated that Boston Electric/Boston Edison saw its values essentially double after revaluation, which led to the company negotiating a settlement in 2002.

Mr. Sansoucy stated that Boston Gas underwent the same valuation process at the time it was purchased by National Grid. The company appealed to go back to the book value. The local court and State Supreme Court upheld the rulings. Mr. Sansoucy said the state of Massachusetts can be a fair market value state where poles, wires, utility can be valued at fair market value, which is why towns and cities are moving towards this option.

The Board asked why other towns do not move forward with this type of plan. It was discussed that it was expensive, towns want to make sure there is tracking, and a method to be created for them to do it themselves to keep the long-term cost of the method low. A lot of communities do not have the budget to complete this type of valuation. They also do not want to risk intimidation by the utilities, e.g. by threatening to layoff staff. There is also a time commitment that not all towns are ready to take on.

Current Towns Pursuing/Timelines:

This year, Mr. Sansoucy will be working on the town of Somerset. He said the utility companies were threatening to get regulations in place that would prevent them from ever owing more than book value, but they never brought an appraiser in to back up their claims. National Grid is set to re-file appeal in

Boston and will keep re-filing for the fear factor, though the city has not had a problem with its gas court cases. The city of Springfield is looking to revalue its utilities, but they are encountering budgeting constraints. Newton was able to revalue its utilities and was able to handle it internally with Verizon (they were a leader in the Verizon case).

Methods of Value and Reconciling

Mr. Sansoucy stated the utility property has matured, but the book value is going down (it has an accelerated form of depreciation). He does the sale, income, and costs – will reconcile all three, the cost is high, sales are lowest, income is the middle. He talked about how the town could reconcile; they can reconcile to the high side with new communities and with mature communities (which has a lot of replacement work) has less new growth but has constant growth with replacements.

Property

Mr. Naser clarified that the definition of personal property is anything that is movable, not attached or affixed to property or land. Real property is land or structures, firmly attached. Each state is different with what Real and Personal is. Poles and wires are not Real property

Hand Outs (yellow and green sheets)

Mr. Naser recommended the Board refer to the yellow sheet for informational purposes. Each personal property account has personal codes numbered 504-508. NStar mails a letter every year to the Assessors Dept. to request the book value be put on record (Verizon is shown as category 505 on the green hand out). There are proposal to Bay State Gas, Verizon, NStar (\$26 million), New England power (\$57k), wireless (\$44,120k)

Mr. Naser states that the town land is \$5 million and \$32 million of first three vendors are Personal property. Ms. Kennedy stated that the revaluation will not bring in new money, but will shift money and will afford tax relief. A discussion ensued about how much relief the average tax payer could expect. It was \$50 per year. The easements could be picked up by the Town and would be billed to the Town according to book value and amortized to 0 (was bought in teens or 20s). On books, now have millions in value. They will map the easements and value using land schedule of town and give property values. Value of land, real-estate land, not part of personal property. Easement worth more than power lines. It is best to refer to yellow sheet as it has the newest numbers; green is summer numbers (older).

Comcast is not on the list as they are a different tax code, they are a 501 (or LLC or something else), they are not a 504, 505 - they are taxed locally. The Sprint cage in the Verizon building is DOR (book value is written down). The 308 private accounts in Medway are required to report values (unless we spend time and money to valuate to make sure right). Verizon online, LLC, had 7 million value in fiscal 2009 – they had all of their boxes stored in Medway from around the state of Massachusetts – though now it is 300k of value because they state they sent the boxes to the state of Pennsylvania (personal property can move and cause up and down fluctuation).

Court Cases:

Selectman Crowley wonders if it has it been challenged in courts, and M. Sansoucy indicates is has and he has won the court cases (VT, ME, CT). A test case for easements could be where half mile wide area of power lines is in Somerset. ME, VT, NY, MI, etc has valued easements and been sustained in court, though has not been done in MA yet, it is essentially zero

Easements/Assets/Growth:

New growth is not only in easement. Lynn (as an example) has looked at work and said and much of property has depreciated to 0 (only portion of property) any property to 0 is not in hand out. Lynn asked for break out (50 million in gas, and 13 million is new growth). This has not been challenged yet.

Mr. Foresto inquires on capital assets placed on person's home that has a pole. With electric it goes right to meter (included in to meter), Verizon value for state - it is to the premises. The home owner would own the box.

Concerns about new growth because of the revalue of Medway jets, though Medway jets has had new growth (Jets is different as not picking up the property -only went on books as new value). The town should look at other items in town (poles, boxes, etc), as we currently only show the book value which the company provided (it is a 25 million in valuation)

There are numerous easements: power lines on Route 109 are easements (can't build there, etc), Bellingham, Medway Jets. Easements cross peoples land and Mr. Naser will take the value off of peoples land. The town would trade easement in teens and twenties, don't depreciate land, but want money back – depreciates to 0.

Home owners can go to court (statute of limitations on easements) when they receive their tax bill, as this is when the clock starts ticking. The owner has until the tax bill is due to do abatement/appeal. Lynn has not appealed in the two years (can appeal with each year's tax bill). Somerset has not appealed (were conservative) though values will go up, so may appeal that.

Budgeting:

Ms. Kennedy had this proposal last March, and this plan is already budgeted to the town. Wanted to have this meeting to talk about the presentation before the Board voted. A total of 48k was budgeted for plan. This does not buy the computer systems, reporting with market sale/income/cost (system so that each year the program can be updated) and captures new growth on the triennial (3 years). This would help with maps, easements, and questions from homeowners of "why you taking off my land" the town can refer to computer program to view easements and can answer the land owner. The town would not need to spend more on appraisals, etc if don't go on the cheap (and get computer program)

Easements:

Ms. Kennedy wants to follow Boston case and want to know easements. The easements are the lowest risk of all (lowest risk of taxability) - easement values are lows (when utilities buy easement pay far more than fee). When the land is revalued, we can revalue the easements. The easement program can be managed by the town, and can be maintained as need be. Chairman Foresto indicates that this is shifting money off the land owner, but does not bring money into town. Mr. Sansoucy informs the board they could get 5-10 million in revenue with easements of land (sleeper in the proposal is the land):

- Taxable value
 - 75k tax breaks in minimum
- 137k an acre per easement

Mr. Naser will look at the wetlands (to gain true value of land), and we know there are easements on roads, width of corridors, etc. They will map to get acres in town for easements (to get money in revenues). This can be GIS layered

Litigation:

Litigation exposure/risk will only be there if there is a lot of moving up and down scale with the figures, i.e. if moving too many numbers, percentages. If Medway does this, it gives us a defensible position - attorneys, and our research will give utility companies something to look at to determine if they want to try to challenge us. There are not a lot of towns the size of Medway looking into this, the pros can be the utility companies cannot be bothered and will not think become a trench, cons utility companies make an example out of the town. This is a win for Medway – saves tax payers' money and/or bring in revenue to the town. By planning this project for 2014, it also lets other towns work through the system)

Algonquin:

This is undervalued; the state value was a settlement agreement in the 1980s. Gas mains in the state (high pressured) 50-100% undervalued statewide, Mr. Sansoucy tried to increase this, and then they appealed. They lost Agawam – as we did not have a correct venue (need DOR value, then ATB). The DOR does not have enough money for entering values (need statewide model to value gas mains), it is recommended down the road for groups of communities to get together to appeal value of gas mains.

- Bellingham, Agawam, Somerset, Dighton -> get enough cities together to go after getting a program together to present how to revalue mains

Future Decisions:

This, if agreed upon, should be ready to roll out in 2014 (present it in 2013), and the Board would like to be involved on the decision making with Mr. Naser and Mr. Sansoucy, so they are prepared financially to take this route (also in case litigation occurs). The town council wants to be conservative in their current approach and wants to do an RFP (short cycle RFP), and to set up our form of contract. – can follow the Worcester RFP. This would need to be drafted and ready for first quarter 2012.

Overlay:

Concerns for the town if court cases or litigation occurs, though the board members state there is overlay set aside for each year's budget (approximately 325k). The Board understands risk of litigation, but states it is worth the perusal with how much money is sitting out there

Mr. Trindade – we will go forward with this presentation request and put out the Worcester RFP for review to start working this project within the next month

Motion to close by Mr. Foresto at 8:01pm; Mr. Crowley seconds the motion; All ayes.

Meeting adjourned.