

New London reaps benefits of revised state PILOT program

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New London — A \$2.36 million boost in state funding to New London for tax-exempt properties is helping to restore cuts made in this year's budget and funding salaries for two new positions.

The City Council this week appropriated nearly \$1.77 million of the expected funds for a variety of expenses, the largest being a \$900,000 contribution to replenish the city's capital reserve fund. That fund typically is used for large purchases and construction projects that need City Council approval.

Using \$300,000, the city plans to hire add a fire inspector at the fire department and an additional Public Works employee.

The money comes as part of a measure passed by the state legislature this year that changed the way municipalities are reimbursed through the state's payment in lieu of taxes, or PILOT, grant program. The program reimburses municipalities for losses from certain tax-exempt properties owned by the state, along with colleges and hospitals.

The city received \$5.05 million this year through a PILOT program that has long been underfunded and a point of contention for cities like New London, where 44% of its real estate is tax-exempt.

The new tiered PILOT program significantly increases funding for the state's distressed municipalities like New London and Norwich. While PILOT is supposed to reimburse municipalities 77% of tax revenue for college and hospitals and 45% for most state-owned property, the state's contribution to New London and other cities has averaged about 25%.

Mayor Michael Passero, long a proponent of PILOT reform, said while the new tiered formula is more equitable, it by no means makes up for the city's losses in tax revenue because of the enormous number of nonprofits that service not only the city but the wealthier surrounding towns. Any help for the city is appreciated, he said, crediting state Reps. Anthony Nolan, D-New London, and Joe de la Cruz, D-Groton, for supporting the bill.

New London officials, based on past experiences being shorted on PILOT funds, budgeted the new funds conservatively. The City Council this week, on advice of Finance Director David McBride, appropriated just 75%, or \$1,769,949, of the promised \$2.36 million.

The city is using \$100,000 to increase the amount to retirement benefits, \$150,000 for ongoing negotiations with fire and police unions and \$139,949 to fund a future incentive program to encourage employees to accept payoffs for accumulated time off. McBride said the city would

look to reduce the amount of time off employees carry over from year to year in an effort to reduce costs such as overtime.

The council allocated \$150,000 to cover losses at Ocean Beach Park. The city owns Ocean Beach but contracts with Centerplate to run the park. The city reaps any revenue beyond Centerplate's operational costs but by contract pays for any losses in revenue.

“Instead of kicking the can down the road, we want to try and make sure we fund this now, we take care of it and not have to worry about it in the future,” McBride said.

The council additionally allocated \$30,000 toward a fund to be used to incentivize economic development.

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