

SPECIAL BUDGET REVIEW COMMITTEE

SEPTEMBER 14, 2023

A meeting of the Special Budget Review Committee was held Thursday, September 14, 2023 at 7:00 p.m. in the Aldermanic Chamber.

Alderman Richard A. Dowd, Chairman, presided.

Let's start the meeting by taking a roll call attendance.

Members of Committee present: Alderman Richard A. Dowd, Chair  
Alderman-at-Large Michael B. O'Brien, Sr., Clerk  
Alderman-at-Large Lori Wilshire  
Alderman Ernest Jette  
Alderman June M. Caron  
Alderman John Sullivan

Members not in Attendance: Alderwoman-at-Large Shoshanna Kelly

Also in Attendance: Mayor Jim Donchess  
John Griffin, CFO/Treasurer/Tax Collector

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ROLL CALL

Chairman Dowd

Alderwoman-at-Large Kelly said she's ill and will not be here this evening.

PUBLIC COMMENT - None

COMMUNICATIONS - None

UNFINISHED BUSINESS - None

NEW BUSINESS – RESOLUTIONS

**R-23-152**

Endorser: Mayor Jim Donchess

**ESTABLISHING THE USE OF FUND BALANCE FOR TAX RATE**

**MOTION BY ALDERMAN O'BRIEN TO RECOMMEND FINAL PASSAGE**

ON THE QUESTION

Mayor Donchess

Thank you Mr. Chair. I'm here, of course, with CFO John Griffin. We wanted to ask you to support Resolution R-23-152 which would dedicate \$8 million of the surplus to the reduction of taxes. Through strong financial management developed a very health surplus consisting of unspent appropriations as well as revenues which exceeded estimates. Much of the surplus was generated in the School Department where they are down employees. It comes from places all around the city. We know that this past year, this past fall 2022, was difficult for our residents because of the revaluation. Mr. Chairman as you know it was a State mandated, State ordered re-valuation which did push property taxes higher because the homes went up 40 percent while commercial property did not go up nearly that much. So it shifted the burden towards the residences. So we know it was a tough year for homeowners. So we wanted to this year provide a tax rate which would come in with an increase of significantly less than the rate of inflation. If you approve this \$8 million use of the unassigned fund balance for the reduction of taxes, we believe that the tax rate will go up less than 2 percent with a 4 – 4

½ inflation rate and will result in of course a rate that is in real terms meaning against inflation actually goes down. So we certainly can answer any questions you have but that's the basic proposal.

Chairman Dowd

Any questions from here?

Alderman O'Brien

Yes I know the answer but for the public at home, this would become effective on the December taxes correct?

Mayor Donchess

Correct. So this would go into effect for the next tax bill and for the next tax year.

Chairman Dowd

Any other questions?

Alderman Sullivan

Thank you very much. The report that you prepared if you don't mind if you would indulge me. I want to walk through it and talk through it in my own language. Please just fact check me as I go along.

Just starting from the top, you're projecting that between monies that we didn't spend for various reasons, most like staffing, but then also increased revenues that were over and above what we had forecasted. We have a projected surplus I guess you would call it unassigned fund balance. Are those terms interchangeable?

John Griffin, CFO/Treasurer/Tax Collector

Mr. Chairman if I may. Unassigned fund balance is not the same as surplus. Unassigned fund balance is basically funds that have not been appropriated by the Board of Aldermen. Surplus on the other hand is kind of an annual calculation. As the Mayor mentioned, we had appropriations not spent of \$11 million and we had surplus revenues exceeding expenses of \$10 million. Several million of that was interest income that we reported on when Ms. Lindner and I came in on June 1<sup>st</sup>. So the combination of that strong interest earning potential coupled with the traditional surpluses we have in motor vehicle revenue helped us along with several other departments on the revenue side.

So we take that number - \$21 million – we add that to the unassigned fund balance that we have – approximately \$33 million – and then the Mayor, and I, and Director Cummings have worked on some escrows – modest albeit that will be coming in next week for first reading on the 26<sup>th</sup> – about \$1 million, \$7 million, 8. Take all of those numbers and in addition as the CFO, I have the ability with regard to unassigned fund balance to move, obviously with the approval of the Mayor's support, move monies in areas where I think we're going to need it and I can explain that in a minute. That gets down to the \$44 million that you see on this page and the Mayor and I support your approval of moving \$8 million against the tax rate for the reasons he stated. Typically we use about \$4 million but we did have a fair amount of surplus this year that he and I feel comfortable moving that type of amount in given the circumstances they mentioned from last year.

The unassigned fund balance is a careful number. The rating agencies like to see that grow. We like to see that grow systematically and there's a reason why the ordinance that we're following ties it to the budget. So as the budget goes up, we want to make sure we keep the unassigned fund balance in pace as a percentage with that. Over the last several years it's ranged from 11.4, to 11.2, to 11.4. So it's a sign of strength that it's more than 10 percent which is the minimal that the Board of Aldermen got approved several years back. The rating agencies tend to watch the volatility in fund balance as a sign of either strength or weakness. So it's a lot that I mention right now and I'd be happy to get into some detail if you want.

One final note that the Mayor and I are watching. Obviously the funding of CERF next year not this year. We have plenty of money this year to buy the thing we want to buy but we're planning on down the road maybe asking for your approval to supplementally appropriate the budget approximately \$4 million. The other area we're watching is the benefits fund – predominately medical benefits fund that will need an amount – maybe a \$4 million amount – to put into it to get that in a better state. It's toggling between zero fund balance and \$1 million. It generally the target is between \$5 and 7 million so we're watching that closely too. What we'll be left with if all of this goes according to plan is a good increase in fund balance of \$36,227,000 which is shown on this particular exhibit. I can expound on any of that information but I thought I'd

paint the entire picture at this point in time. Thank you.

Alderman Sullivan

Yes thank you. If I could just continue down, I see that there is total general fund appropriations that's the Fiscal Year '24 budget that we approved. If you take that \$36,227,000 and change against that, that's 11.4 percent. By NRO, so by the law, it says that has to be a minimum of 10 percent, right?

John Griffin, CFO/Treasurer/Tax Collector

Correct.

Alderman Sullivan

So we're above it. We're above the line. Could you please explain the bottom part – the overlay recap?

Mayor Donchess

Well the overlay is the reserve account we have to protect against or fund any abatement which are granted as part of an abatement process. So we have taxpayers like the mall down in the south end – the Pheasant Lane Mall – which is the city's biggest taxpayer that is contesting their assessment. That is rather a complicated case but if they're successful whole or in part or if we reach an agreement, then taxes need to be refunded to them. That is one example of what needs to occur. So this suggests we have nearly \$6 million in the overlay account. We're suggesting we add \$2 million to that and that that's the amount of 7, 9 is what we would carry forward to deal with any abatements and there's certainly more than that one but deal with any abatements that are either tried or need to be resolved by settlement.

Alderman Sullivan

Okay. All right. So those are kind of – okay – got it. So we're coming into Fiscal Year – well we're already in in it but we're coming into the next year armed with about \$7.9 million of that insurance. It's money to help us...

Mayor Donchess

And the biggest case we have is that mall case.

Alderman Sullivan

Can you share how much that is?

Mayor Donchess

There are two aspects to it. They're claiming that their assessment is too high. You'd have to get the numbers directly from Legal but they're also contesting the way the equalization ratio is applied when an assessment is granted. So there are two main issues. We can get a report as to what our exposure there is but it's several million.

Alderman Sullivan

So that could really deplete that account?

Mayor Donchess

Well it's not going to be 7.9 but it's not a small number.

Chairman Dowd

Follow up?

Alderman Sullivan

Yeah thank you. One more around the tax rate because you mentioned the tax rate. So currently the tax rate is \$18.07

per thousand of assessed property value. So what you had mentioned is if we don't do this, then this would raise that tax rate or do we have a new tax rate? Has that been determined yet or are we going in at \$18.07? Is that what we're thinking?

Mayor Donchess

Well if the tax rate went up 2 percent that would be roughly \$.36 or \$.37 on \$18.07.

Alderman Sullivan

Sure.

Mayor Donchess

The \$2.5 million equates to 1 percent on the tax rate because although the overall budget is \$317 million, there are other sources of revenue that we have so we are taxing people. The tax burden borne by all of the taxpayers together is about \$250 million. So 1 percent of \$250 million is 2.5 so by using \$8 million, we basically reduce the rate by about 3 percent below what it would be if we applied nothing to reduce the taxes.

Alderman Sullivan

I'm sorry. You said 2.5 million equals...

Mayor Donchess

One percent of the tax rate.

Alderman Sullivan

Okay. So you're thinking taxes the rate would go up 2 percent if we did nothing now and if we added this to that – added that \$8 million into it, then that would help cushion the blow?

Mayor Donchess

If you adopt this resolution, taxes would go up less than 2 percent. If you were just forget and do nothing, then it would go up significantly more.

Alderman Sullivan

Yeah, okay. That's what I was trying to get at. Thanks. I appreciate it.

Chairman Dowd

All set?

Alderman Sullivan

Yes, thank you.

Chairman Dowd

Any other questions? All right. Seeing no other questions.

**MOTION CARRIED**

NEW BUSINESS – ORDINANCES - None

TABLED IN COMMITTEE

**R-23-118 Amended**

Endorsers: Alderman-at-Large Melbourne Moran, Jr.  
Alderman Thomas Lopez  
Alderwoman-at-Large Gloria Timmons  
Alderman-at-Large Michael B. O'Brien, Sr.

**INCREASING THE MAXIMUM ALLOWABLE AMOUNT IN THE SNOW REMOVAL EXPENDABLE TRUST FUND AND EXPANDING ITS USE**

- Amended and tabled at 5/24/23 meeting

**O-23-056**

Endorsers: Mayor Jim Donchess  
Alderman-at-Large Michael B. O'Brien, Sr.

**PERMITTING CERTAIN FUNDING TRANSFERS WITHIN THE PUBLIC WORKS DIVISION**

- Amended and tabled at 7/24/23 meeting

GENERAL DISCUSSION - None

PUBLIC COMMENT- None

REMARKS BY THE ALDERMEN

Alderman Sullivan

I just wanted to say thank you to the Mayor and CFO Griffin. I've been emailing CFO Griffin back quite a bit so I really appreciate you helping me out. Thank you.

ADJOURNMENT

**MOTION BY ALDERMAN O'BRIEN TO ADJOURN**

**MOTION CARRIED**

The meeting was declared closed at 7:16 p.m.

Alderman Michael B. O'Brien, Sr.  
Committee Clerk