

LRB-FISCAL REVIEW SECTION ANALYSIS

**JUDICIARY & LEGISLATION COMMITTEE
FINANCE & PERSONNEL COMMITTEE**

ITEM 1, FILE # 041173

JANUARY 10, 2005

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File Number 041173 is a resolution appropriating up to \$808,100 from the 2004 Common Council Contingent Fund for the Remission of Taxes Fund SPA to provide funding for remitted taxes.

Background

1. The Remission of Taxes Fund special purpose account provides the money needed to refund property taxes and applicable interest to property owners who have had their tax liability cancelled or reduced as a result of Board of Review or State Tax Appeals Commission actions. Actual disbursements from the Fund are made pursuant to Common Council resolutions.
2. Expenditures from the Remission of Taxes Fund vary considerably from year to year as a result of successful appeals for large assessment reductions, typically for commercial properties. Refunds for successful appeals of residential assessments tend to be quite small and have little impact on the balance of the Fund.
3. The 2003, 2004 and 2005 Budgets each appropriated \$500,000 for the Remission of Taxes Fund.
4. Appropriations from the Common Council Contingent Fund have been used to make up shortfalls in this Fund in the past. In 2003, expenditures from the Remission of Taxes Fund totaled \$2,979,356, far in excess of the \$500,000 budget. Also, large refunds necessitated the appropriation of \$475,682 to the Fund from the Common County Contingent Fund in May, 2004, and the balance in the Fund dropped to \$0 in early October, 2004. No payments have been made from the Remission of Taxes Fund since that time.

Discussion

1. The figure of \$808,100 is derived from a combination of Board of Review assessment adjustments (\$537,630), interest on those adjustments (approximately \$51,822) and assessment corrections (\$218,564).
2. Approval of this resolution should allow the Assessor's Office to take care of all remaining Remission of Taxes Fund obligations for 2004.

3. If this resolution is approved and the full amount is expended on remission of taxes, total expenditures from the Remission of Taxes Fund for 2004 will be \$1,783,782. Of this amount, the City will be reimbursed \$525,063 by other taxing jurisdictions for which the City collects property taxes.
4. The current balance in the 2004 Common Council Contingent Fund is \$3,711,599. However, other 2004 financial obligations currently facing the City, including approximately \$2.8 million for police salaries, \$315,000 for unbudgeted Election Commission expenses and about \$900,000 to cover a Basic Plan Health Care funding shortfall may reduce the amount available in the Contingent Fund to the point that the full \$808,1000 is unavailable (hence the wording in the resolution, “up to \$808,100”). This resolution provides expenditure authority if the funds are available. If the 2004 Common Council Contingent Fund cannot provide the full \$808,100 in funding needed for the Remission of Taxes Fund, other possible funding sources are 2004 Contingent Borrowing or the 2005 Contingent Fund.

Fiscal Impact

Assuming that the 2004 Common Council Contingent Fund is not first reduced by other financial obligations (see above), this resolution will reduce the balance in the Contingent Fund to \$2,903,499.

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