

Reply to Common Council File No. 221137
From DOA-Budget and Management Division

December 1, 2022

Ref: 22BF-2C

Common Council File 221137 contains a resolution authorizing the sale and issuance of General Obligation Promissory Notes for up to \$10 million of contingent borrowing for excess 2022 expenditures. This file is required to assist in closing out fiscal year 2022. The current contingent fund balance is below \$500,000 and will likely be insufficient to cover 2022 account overruns.

The resolution authorizes a maximum contingent borrowing of up to \$10 million. The final 2022 account overrun amount will not be known until the first quarter of 2023. When contingent borrowing to close out overdrawn accounts is necessary, past city practice has been to wait until the final amount of contingent borrowing needed is known. Between the use of the contingent fund, the wages supplement fund, and internal departmental transfers, the Budget Office strives to avoid contingent borrowing for account overruns. However, based on advice from the Comptroller, contingent borrowing must be done during the year that requires contingent borrowing. This practice is based on government accounting standards and the recommendation of the City's external auditor. The Budget Office will work with departments for the remainder of the year to try to minimize the actual contingent borrowing amount.

Details on departments that could need contingent borrowing are as follows:

- City Attorney – Up to \$2.6 million for various damages and claims settlements.
- Health Department – Up to \$2 million to offset expenditures that were intended to be funded under ARPA but do not meet the grant guidelines.
- Department of Public Works – Up to \$2 million of snow and ice control operations. The department currently is expected to be within budget at year end but several large snow events between now and the end of the year could lead to significant overruns.
- Police Department – Up to \$1.75 million for operating account overruns. This overrun is consistent with 2021 experience. The 2023 budget addressed these increased costs.
- Other Departments – Up to \$1.65 million to address smaller overruns in various departments that might require contingent borrowing funds.

**RECOMMENDATION: ADOPT COMMON COUNCIL FILE NUMBER
221137**

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