

## LRB-FISCAL REVIEW SECTION ANALYSIS

### FINANCE & PERSONNEL COMMITTEE SEPTEMBER 21, 2005 AGENDA – ITEM #31, FILE NO. 050596

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File Number 050596 is a resolution that appropriates \$500,000 from the 2005 Common Council Contingent Fund to the Remission of Taxes Fund special purpose account.

#### Background

1. The Common Council Contingent Fund provides funding for emergency situations that require expenditures above budget authorizations. An appropriation from the Contingent Fund must be approved by three-quarters of the Common Council and must be necessary because of emergency circumstances, obligatory circumstances or fiscal management principles.
2. For the past 3 years, the budget has provided \$5 million in funding for the Common Council Contingent Fund. The current, unencumbered balance in the 2005 Contingent Fund is \$4,914,134.
3. The Remission of Taxes Fund 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 actions by the Board of Assessors, Board of Review or State Tax Appeals Commission. Actual disbursements from the Fund are made pursuant to Common Council resolutions. For claims received prior to November 1, payments are due to the property owners by the following January 31.
4. Each year, the City budgets \$500,000 for the Remission of Taxes Fund. The current balance in the Remission of Taxes Fund is \$430.

#### Discussion

1. Actual expenditures from the Remission of Taxes Fund often exceed the amount budgeted. For example, 2003 and 2004 expenditures were \$1,252,414 and \$1,559,184, respectively – far in excess of the \$500,000 budgeted each year.
2. Contingent Fund appropriations have been used to make up shortfalls in the Remission of Taxes Fund in the past. For example, two separate Common Council resolutions appropriated a total of \$1,283,782 from the 2004 Contingent Fund to the Remission of Taxes Fund. This is the first appropriation from the 2005 Contingent Fund.

3. An appropriation to the Remission of Taxes Fund meets the “obligatory circumstances” criterion for a Contingent Fund appropriation (i.e., the City is obligated to refund tax dollars to a property owner if the owner’s appeal is successful).
4. The Remission of Taxes Fund is also partly replenished by reimbursements the City receives from other taxing jurisdictions for those jurisdictions’ share of the remitted taxes (i.e., the City remits the entire refund to the property owner and is later reimbursed for the non-City share of the refund). In 2005, the City will receive about \$450,000 in reimbursements from other jurisdictions for taxes remitted in 2004.
5. It is difficult to predict the level of funding that will be needed to support the Remission of Taxes Fund. Expenditures vary considerably from year to year, and just a few successful assessment objections for large commercial properties may completely deplete the Fund.
6. In recent years, the backlog of outstanding assessment objections has been substantially reduced. For example, there are currently only 15 objections from 2004 or earlier still waiting to be heard by the Board of Appeals. Also, the number of assessment objections filed with the Assessor’s Office each year continues to fall. From 2002 to 2005, the number of objections fell by 50%, from 4,439 to 2,225. Both of these trends suggest that, in the future, the need to supplement the Remission of Taxes Fund with Contingent Fund appropriations may be reduced.

### **Fiscal Impact**

This resolution will reduce the balance in the 2005 Common Council Contingent Fund by \$500,000, to 4,414,134.

Cc: Mary Reavey