

On Monday night (12.5.22), I went to the mayor's town hall style meeting about the 2023 budget estimate at Riverside Memorial Chapel.

### The Positives

1. We had a town hall style meeting about the budget!!! My guess is that around 60 people were in attendance, which is pretty good.
2. The mayor's presentation was clear, easy to follow, and informative. Hats off to her and kudos to her tech team.
3. Except for a couple of combative exchanges between the mayor and audience members, attendees were cordial, well focused, and asked good questions. While the combative moments felt uncomfortable (at least for me), it isn't necessarily a bad thing to have a little tension sprinkled in to at an event like this. There is a lot at stake.
4. All in all, the experience was positive. It was a time well spent.

### The Questions & Concerns

1. The budget format needs updating.

Examples:

- a) The comptroller has been releasing 2022 budget actual. They have been released through Q3 2022. It would be very helpful if those actuals (supplemented by pro forma data for Q4) are presented in the same document, alongside the 2023 estimate and the 2022 adopted budget.
- b) Some of the descriptive language needs updating.
  - Developmentally Disabled Program- replace with something like "Program for People with Developmental Disabilities"
  - Public Pound- just drop it because it says "Animal Shelter" right next to it.

I raised the above issues during the meeting (except the "Public Pound" bit) and the mayor was receptive to the feedback, so we'll see if any changes are made.

2. The city has no money in reserves and cannot borrow money because it has no bond rating. This makes us economically vulnerable.
3. Regarding our bond rating- the comptroller addressed this and progress toward completing audits at the meeting held on December 6 <https://www.youtube.com/watch?v=z-7dXEGQNnw>). Cue to minute 37:30 of the video.
4. We have legacy debts- contract obligations, pending litigation, etc. The administration is trying to pay these obligations and reduce future uncertainty, but it is tough for us to "get ahead" because we are still very much dealing with the past.
5. Health Insurance costs. This continues to be a local, regional, state, and national concern. We are an aging nation fed lots of costly pharmaceuticals on the tail end of a pandemic that continues to keep our hospitals filled. We have a complex, heavily bureaucratized health care system that is largely for profit (and for device makers, big pharma, and private equity, it is profitable). This all adds up to large year-over-year increases in the health insurance premiums our city pays to keep our employees covered. In 2023 the cost of coverage jumped about 12%. We will pay over \$36k to cover a family. If nothing changes, the cost to the city to cover a family could hit somewhere around \$50k

by 2028. Heck, there could come a time when people don't work for a salary, they just work for health insurance coverage. Anyway, the mayor and comptroller are acutely aware of this issue and the approach they are taking to address the problem seems reasonable. That includes a) making sure we aren't paying health insurance premiums for people who don't work for the city anymore (sad but true), b) shopping around for a better plan, and c) asking employees to pick up some of the cost. Regarding c)- shifting the cost of insurance to employees can trigger calls for higher wages to offset the cost so it's a tricky process. Something to watch.

6. Generating new revenue from economic development is the long-term solution, but that will take time. The city needs cash now. So, what are the options?
  - a. Borrow- see #3 above. Without a bond rating (or a "confidential" bond rating as the comptroller discusses), we can't borrow. Maybe in 2024 we will be in a position but then the question is this: how will the bond be used? Presumably to consolidate debt. One thing the comptroller mentioned using a bond for is to pay the roughly \$12M in school taxes the city owes to the school district. I'll end this write up with my questions and concerns about that so please read on (or skip to the end).
  - b. Grants- there appears to be a full court press by the administration to secure grants for the city. This is helpful but complicated. Grants restrict use to predefined purposes, and many oblige the recipient to put up some money of their own. Grants will help but they aren't the answer to our short-term revenue needs.
  - c. New taxes. The mayor floated the idea of seeking NYS approval for the City to impose a "non-residential employee tax". Basically, the idea is to hit people who work in Mount Vernon but don't live in Mount Vernon with a tax on their labor. Personally, I don't like this. It seems likely that this would discourage people from wanting to work in Mount Vernon and it would discourage businesses from setting up shop in Mount Vernon. But this isn't imminent, so I'll leave it there.
  - d. New fees. The mayor discussed the creation of a MV "Parking Violations Authority". I have a couple of concerns with this idea. First, when cities seek to increase revenue by "fining" people for parking violations, the cost burden disproportionately falls on people of limited economic means. For example, see "The Unequal Spatial Distribution of City Government Fines: The Case of Parking Tickets in Los Angeles (2018, N. Brazil) [https://nbrazil.faculty.ucdavis.edu/wp-content/uploads/sites/481/2018/07/brazil\\_parking\\_tickets\\_uar\\_2018.pdf](https://nbrazil.faculty.ucdavis.edu/wp-content/uploads/sites/481/2018/07/brazil_parking_tickets_uar_2018.pdf) Second, while public "authorities" are created to serve the public interest, they often fail to live up to that charge. Industrial Development Agencies (IDAs) are a case in point. I've written about the MVIDA here: [https://img1.wsimg.com/blobby/go/ad3bd875-7cd3-4b34-8216-5f00574bf0ca/downloads/l\\_m%20skeptical%20about%20the%20MVIDA.%20Here\\_s%20why%2010.5.pdf?ver=1670077581401](https://img1.wsimg.com/blobby/go/ad3bd875-7cd3-4b34-8216-5f00574bf0ca/downloads/l_m%20skeptical%20about%20the%20MVIDA.%20Here_s%20why%2010.5.pdf?ver=1670077581401)

In addition, public "authorities" are notorious for patronage, cronyism, and opaque finances. Just look at the history of the MVIDA. Do we really need more of that in our city?

7. The ARPA money is running out. In 2022 we used \$5M in ARPA funds the way we used our fund balance in prior years. Since we have no fund balance, we will use another \$5M in ARPA funds in the 2023 budget. I believe the total ARPA funding we received over 2 years was about \$42M, so that means almost 25% of our ARPA money has gone to keep property taxes from rising even faster than they are. So, what happens in 2024 when we don't have \$5M in ARPA funds to plug into the budget?

Will we take on debt through a bond to fill a hole in the operating budget? Is it wise to pay operating expenses with bond revenue?

The big questions/concerns about the school tax money owed from the city to the school district

Up until a few years ago the city collected school taxes on behalf of the school district. That's no longer the case. But the school district claims the city failed to deliver some of the school tax money it collected on the district's behalf. In fact, the city and the school district are in court about it. The dispute appears to be over how much money is owed, not whether or not money is owed. For example, in the comptroller's quarterly report, he has the liability to the school district listed at \$12M, but at the town hall on 12/5 a resident (who is on the school district budget committee) said the number could be around \$20M.

Let's assume comptroller Morton is correct and the city owes the school district \$12M. It seems to me that 1 of 2 things (or a combination of these 2 things) must be true:

1. When the city was responsible for collecting school taxes on behalf of the district, in at least some instances it failed to do so. In other words, some residents owe school taxes from years ago. If this is true, assuming Dr. Morton's \$12M liability number is correct, how much of the \$12M owed to the school district is for school taxes that the city failed to collect on their behalf?
2. The city collected the school taxes but never transferred the money to the school district. If this is true, was the entire \$12M collected but never distributed to the school district or just a portion of the \$12M? And most importantly, if the city collected school taxes and never transferred that money to the school district, where did the money go? If the city has no fund balance, doesn't that mean the city spent school district money on city operations, or worse? If this is true, it's a huge issue for reasons that I think are obvious to all.

At the 12/5 meeting, when a resident asked when the school district would receive the \$12M from the city, the comptroller had no answer, which is appropriate since the city has no money. But comptroller Morton then went on to suggest that this is the type of liability that a bond could address. In other words, the city could issue a bond and use the proceeds to pay the school district the \$12M.

Here is my big problem with this: like most, my family pays its tax obligations on time every year. So why would we accept being burdened with this \$12M debt? If the city failed to collect the school taxes from other residents as required, let's get to work on collecting that money now. If the city collected the money but didn't transfer it to the school district as required, we need an immediate investigation to determine where that money went. But either way, how is at all reasonable for this liability to be placed upon those who already paid their school taxes?