



May 8, 2016

Dear Fellow East Siders:

Happy Mother's Day to everyone. My letter this week discusses late tax payment penalties, equity and diversity in City employment and the fire department budget. Before doing so, please mark your calendars for **Monday, May 16 at 6:00 p.m. at Hope High School**. On that date, Mayor Elorza will attend a community meeting to discuss the City's long-term finances and the current year's budget. Doors will open at 5:30 p.m. Please bring your questions for what I hope will be a productive exchange of information.

Last Thursday, the administration provided an initial overview of next year's budget to the Finance Committee. The tax levy ordinance retains a draconian late payment feature – if a taxpayer is late in paying the first quarterly installment, the entire bill becomes due and interest is assessed at 12% annually. The result of this is that if the taxpayer misses the first payment by a few weeks and makes the remaining payments on time, there is still a substantial tax penalty which can exceed 15% of the first quarter payment that was a month or less late. In March, the City Council unanimously approved a [Resolution](#) I introduced requesting the administration to change the late fees so that the interest penalty attaches only to the amount of the late payment, not the entire bill (including payments that are not yet due). At the hearing, the administration explained that it would prefer to keep the extra revenue from these extra penalties to pay for City programs. I believe that a 12% interest on the payments that are actually late is enough, and in a budget with a \$13 million tax increase, there should be other ways to pay for City programs. As a result, I will introduce legislation to incorporate into the budget to reduce the late payment penalty, and urge my colleagues to enact it.

Tomorrow night (May 9, 2016) at 5:30 p.m., the City Council's Special Commission on Equity and Diversity in Employment will hold its second meeting, chaired by my colleague President Pro Tem Sabina Matos. We will review data concerning the makeup of the Police Department. It is critical for that department's success to have a workforce that can relate well to the communities it serves, and having a diverse police force will support that goal. Also, it is important that our City provide employment opportunities on an equitable basis so that all citizens can be proud of our City government.

Last Wednesday, the Claims Committee began to review the \$5 million contingency the Mayor's budget contains for possible resolution of the pending court cases and arbitrations arising from the administration's reorganization of the fire fighters' work shifts last year. The contingency account appears to have been funded with anticipated reductions in the overtime (or "callback") line item from around \$7 million in recent years to \$2.1 million for next year's budget. The Internal Auditor's office prepared a [Memorandum](#) estimating next year's "callback" cost at between \$6.7 million and \$8.2 million, which would effectively exhaust the contingency fund before it is available to resolve the court case. The City does not have any existing reserves for this contingency; instead, it has an accumulated deficit that must be retired on a schedule set by State law and monitored by the State's Auditor General. The court cases and arbitrations are likely to resolve, one way or the other, during the coming fiscal year. As a result, the City's only choice is to make set an appropriate reserve in this year's budget, which would appear to require more funds than are currently proposed. I expect the Claims and Finance Committees to explore these issues further with the administration during the budget deliberations in the coming weeks.

Sincerely,