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Let me share with you, from the Finance perspective, what is presented in the City Real Estate tax increase of $762,045. I reduced the original proposed personnel changes by $1,113,416, overtime budget by $255,000, and operating expenditures by $637,111.

The reasons for the property tax increase of $762,045 are:

- Expenditures are increasing at a faster rate than revenues.
- The cost of running the City has increased. Departments have to purchase materials and supplies to support the City services at a higher cost than last year.
- Personnel contractual increases for bargaining units have been negotiated at 3% through 2025.
- Property tax is uniform in assessment of tax for residential and commercial properties. All properties are taxed on land and improvements at their respective current rate of 23.538 (land) and 4.453 (improvement) mills.
- 1/5th of the real estate tax bills that we mail are for commercial properties, however the assessed value of these commercial

properties accounts for 47% of the city real estate tax payments. In dollar values it equates to approximately $19M.

- Meanwhile, 4/5th of the bills are for residential properties (this means four out of every five bills are residential), but these payments account for only 53% of the city real estate tax revenue. In dollar values it equates to approximately $21M. As you can see, increasing property tax becomes an equitable recurring revenue source for the City to support the services we provide.
- Properties within the Neighborhood Improvement Zone (NIZ) pay city real estate tax to the city, and contrary to popular belief, we keep that revenue. We use these monies to balance the General Fund and pay for our operating expenditures, unlike other tax revenues generated in the NIZ. The taxes we remit to the state are Business Privilege Tax, Earned Income Tax, and Local Services Tax. These are distributed to developers; Property tax is not.
- In the initial 2024 budget, if there was no increase in the City tax revenue, the proposed incremental General Fund revenue would have been $3,352,221 while expenditures would have been $6,016,433 compared to last year: hence a shortfall in revenue of $2,664,212.
- To continue to sustain the same level of services for the City residents and taxpayers that they are used to, we need to keep the 2% Property tax increase.

There was another proposal from Council to use city cash to balance the budget. My professional recommendation is not to use cash to balance the budget. This is not a good management of our finances:

- Balancing the budget using cash from a bank account is a one-time solution. It does not address the structural issues causing the deficit. The City will face the same issue next year and also in the future years; expenditures are increasing at a faster rate than revenues. If we do not increase the property tax now, we are looking at an increase of 14.1% for the 2025 budget. A better practice is to engage in incremental increases yearly or every other year. This will avoid drastic tax increases as the City has done in the past. I do not want to continue this practice in the future, nor are these kinds of increases fair to the taxpayers.
- The cash used to balance the budget could be invested elsewhere, generating interest revenue and increasing the City's financial resources over time. Using the cash for immediate budget needs means forgoing this potential benefit.
- When cash is used to balance the budget, it is no longer available for unexpected expenses or emergencies. This can leave the City vulnerable to economic downturns, natural disasters, or other unforeseen events. The 2008 financial crisis had a huge impact on the City. It was a major factor in leasing the water & sewer assets/resources for 50 years.
- Relying on cash reserves to balance the budget is irresponsible and will negatively impact the City's credit rating. This can make it more expensive for the City to borrow money in the future, potentially increasing the cost of infrastructure projects and other essential services. It undermines

confidence, sending a negative signal to investors, creditors, and residents. It can raise concerns about the City's financial management and its ability to meet its future obligations.

- A more responsible approach is to reduce expenditures, which we have done, and increase revenue, which we are proposing by increasing the city real estate tax revenue by $762,045.

My final comments:

- Not increasing property taxes in the 2024 budget means a property tax increase of 14.1% in the 2025 budget.
- Not increasing property taxes in 2024 and taking cash from the City's bank account to balance the budget will impact our bond rating and will increase our borrowing costs for future anticipated infrastructure projects.
- Increasing property taxes in 2024 is the equitable way of increasing revenue.