COMMITTEE ON ACCOUNTS, ENROLLMENT AND REVENUE ADMINISTRATION

February 20, 2024 at 5:00 PM

Chairman Terrio called the meeting to order.

The Clerk called the roll.

Present: Aldermen Terrio, E. Sapienza, Vincent, O'Neil, T. Sapienza

Messrs.: K. LeBlanc, S. Wickens

1. Update on the City's Revolving Loan Fund.

Kim LeBlanc, Financial Analyst II, stated I don't really have anything new to report which is neither bad nor good. Things are just moving along as normal. I would be happy to answer any questions you may have.

Alderman O'Neil stated I just want to congratulate Kim. There was a day here when that report would be two or three pages. Well done.

*On motion of **Alderman O'Neil**, duly seconded by **Alderman T. Sapienza**, it was voted to accept the report.*

2. Communication from Kim LeBlanc, Financial Analyst II, submitting Finance Department reports as follows:

- Accounts Receivable over 90 days
- Aging Report
- Outstanding Receivables

Alderman Vincent stated I understand that all of the reds are debts and ones in collection now.

Ms. LeBlanc replied that is correct.

Alderman Vincent asked where is the total of all of those. It might be right in front of me.

Ms. LeBlanc answered I actually have a collections report that I just pulled on 2/2 so I can give you the amount that is in collections which is $54,621.32. That includes all departments.

Alderman Vincent asked these ones that are in collections in red, are these FY24 debts.

Ms. LeBlanc responded they vary. We went a little while without having a collection agency so some of them were left dormant for a little while so we just started back with them in the last year. They are fairly new to the city.

Alderman Vincent stated I know there were a lot of requests for funds recently and if we have this many delinquencies…these aren't large amounts but they are still delinquent nonetheless. I just want to make sure that we are tracking that. I did have another question on the accounts receivable page. There is an amount for Legacy Airway Cargo but I also saw it on the other page as a receivable for Legacy Airways. Are these two separate accounts or is this one account with different numbers because the numbers don't match?

Ms. LeBlanc replied on that one I actually did each out to the Airport on because I was curious as to where they stood as far as a collection. I noticed that the amount had gone up since the last time. I haven't heard back yet but I did reach out to them today so I didn't give them a lot of time to get back to me.

Alderman Vincent stated that is fine. I just want to make sure I understand what I am looking at. I am still trying to understand the reports and the numbers.

Ms. LeBlanc stated I can ask them about that and get back to you at the next meeting.

Alderman Vincent responded that is fine. Thank you.

*On motion of **Alderman O'Neil**, duly seconded by **Alderman E. Sapienza**, it was voted to accept the reports.*

3. Communication from Sharon Wickens, Finance Officer, regarding the City's Monthly Financial Report (unaudited) for the first seven months of fiscal year 2024.

Sharon Wickens, Finance Officer, stated we are into February here. The average unobligated balance percentage after seven months should be 41.67%. Most of the departments are within this unless they are a department that has contracts which they pay upfront. Those are the ones that you see listed – the Department of Public Works, Welfare and Information Systems. The average unobligated percentage after seven months is 38.46%. That is a little less than the 41.67%. I think a lot of that is probably being driven by some of our non-departmental expenses like healthcare that is way over plan. Health insurance costs continue to track over budget through January. We are probably $1.5 million over at this point. I fully expect to be over $2 million over plan by years' end. You will see budget projections later on tonight where we do have some surplus. The Mayor instituted a hiring freeze and as that freeze continues to go on, which I imagine will be through the end of the fiscal year, departments will start to return surplus. Last month when I reported the surplus, I used about $600,000 towards healthcare. That has increased to $1 million as of right now. We are kind of on the hook for $500,000 but there is a reserve and that has $3.3 million in it. We will get through the year but there is no doubt that healthcare is a real problem. We have some very, very sick people. We can talk about that a little more tonight or if you have any questions after this meeting. We haven't had any more retirements this past month. It is still at $941,000 for FY24 compared to $607,000 last year. I do expect some retirements but with the COLA that will come into effect on July 1, a lot of people retiring will kick it over the line to get that COLA. We should end with a severance balance of a little over $700,000. We have some money in the budget. We do have a lot of retirements projected for next year too so we are going to have to look at that. The contingency budget started with $312,000 and it is now down to $287,000. We rarely use that unless something crazy comes up. Revenue for the first six months of FY24 is $2.3 million higher than a year ago. Interest income is $621,000 higher. We are doing very well and I expect it to exceed the budget this year which will probably offset…I know it is odd but Parking is also in Finance and they are short a little bit on permits so with the overage in interest income and the shortage in permits I imagine we will come out flat there. Auto registrations are about $226,000 higher than the same period a year ago but they have a different budget and we have different ways of looking at it. I still show her lagging a little bit. She made up a lot in January. She beat what they collected last January but I am still showing her lagging so I am really watching that. I didn't put anything into the projections because that could change on a dime and it is not like she is lagging $1 million. It is a couple of hundred thousand. She made up at least $300,000 in January of this year and maybe she will make up the rest as she goes along. That is just something to watch. What is offsetting the increase is lower permits at $721,000. That is very deceiving. Permits had a great year last year. They beat budget by $900,000. They will not do that this year but he budgeted for that. He budgeted the same amount as he did last year so he won't be over budget but he will meet budget. I have every expectation that he will be just fine this year. Chargebacks are down a little bit but that is just due to timely billing. We always collect everything that we have in school chargebacks. I don't anticipate this year to be any different. I don't know if you have any questions.

Chairman Terrio stated I have three sets of questions for you. I just want to confirm some numbers first. Healthcare is projected to be $2.5 million short for the year?

Ms. Wickens answered I wouldn't say $2.5 million but I would definitely say over $2 million. It is hard to judge. I would say $2.2 maybe.

Chairman Terrio stated along with that you said we have $3.3 million in reserve for healthcare correct.

Ms. Wickens replied we do and of that $2.2 million that I am projecting to be over plan, we already have $1 million in city surplus dollars. So now you are looking at $1.2 million that could be charged to…I think the surplus is going to grow. It may be $500,000 at the end of the day that we need to hit the reserve account for.

Chairman Terrio asked but we have $3.3 million.

Ms. Wickens responded we do.

Chairman Terrio stated the second thing I want to talk to you about is retirements. I see $941,000 and change. Is that just a snapshot now or is that projected for the whole year?

Ms. Wickens asked where do you see that.

Chairman Terrio replied it says retirements for FY24 of $941,813.

Ms. Wickens stated city retirement has a budget of $11.5 million.

Chairman Terrio asked so this number is as of now.

Ms. Wickens answered I am trying to find what you are looking at. At the bottom of the page does it say page 1 of 2?

Chairman Terrio responded it just says payments for FY24 and compares to FY23.

Ms. Wickens stated oh actual retirements. Yes. So the $941,000 is as of right now. We will have more retirements between now and the end of the year.

Chairman Terrio asked how much money do we have to cover retirements.

Ms. Wickens replied right now in the reserve account we have a little over $1.4 million.

Chairman Terrio asked so we are okay as of now.

Ms. Wickens answered absolutely and I think we will end the year with a balance of at least half that.

Chairman Terrio stated we are going to be asked to approve somebody under the old retirement system later tonight. Could you explain that? If we approve it out of the old system which I am assuming is more generous, once the body of that goes are they out of luck? Can you talk about that?

Ms. Wickens responded the old retirement system goes back prior to 1974 and we had one active person still working and this person retired. The old retirement system pays you 50% of your salary when you leave with no beneficiaries. If you pass away, it doesn't continue. Back in 2001 we issued a pension obligation bond for about $21 million to fully fund that old retirement system because now we have the new one. We assumed a rate of 7.5% and never really hit that. I would imagine we might have to do another bond for that small piece of the runoff because there are no more active employees. This person you are approving tonight is going to go on it and as people pass away, the retirement plan is going to end. I don't think it is going to make it until the end. I am not sure how many people are on it. I think it might be 50 and the plan has about $3.5 million in it.

Chairman Terrio asked how many people did you say.

Ms. Wickens answered maybe 50 people are still on the old retirement plan.

Chairman Terrio asked and what is the amount.

Ms. Wickens replied the plan has a balance of about $3.5 million. We probably spend under $1 million a year so that would give us two or three years left. It is starting to get down there but I would like to wait until the last gong to make any decision because you just don't know who is going to be left and you don't want to borrow more than you need. We just want to make sure that we are all set when we do bond. We would have an actuarial and wait until the last minute and come before the Board to say look we just need to finish this particular retirement system. Nobody can enter this plan. It is closed.

These people are leaving as they pass on, which is horrible. I probably won't come back to you this year but maybe next year or the year after. I will wait to see the actuarial reports.

Chairman Terrio asked so you would have had to have been employed by the city before 1974 to be eligible correct.

Ms. Wickens responded yes and after 1974 you did not have the option to go into that system. You had to be in the new one.

Chairman Terrio asked how many people did we hire before 1974 that haven't retired yet. I am assuming it is a very small number.

Ms. Wickens answered it might be about 50.

Chairman Terrio asked 50 left.

Ms. Wickens replied yes but they are all aged. There is no beneficiary bank on this either and that is why you want to wait until the end to see where we are going to be. A lot of people bought out of the plan. They didn't have to contribute to the plan. This was just 50% of your pay and that's it. A lot of people bought into the new plan so these 50 are people that didn't buy into the new plan and they tend to be a little bit lower in wages and they are older.

Alderman E. Sapienza asked why are we even voting on this if the man has been paying into it for…

Ms. Wickens interjected no they don't pay in but he is the last one and I think it is a formality. I think it is just part of the process. When they retire they have to tell you and then they go into the pension system.

Alderman E. Sapienza asked so it is a formality.

Ms. Wickens answered yes.

Alderman E. Sapienza asked and he has been part of that system since he started working.

Ms. Wickens replied that is correct.

Alderman E. Sapienza asked so it is nothing more than a formality.

Ms. Wickens responded correct and once he is one it, it is closed and that plan is done. We are paying it off.

Alderman Vincent asked when you keep saying year end, we are talking about the fiscal year right.

Ms. Wickens answered right. The fiscal year ends June 30 and July 1 it is a brand-new fiscal year.

Alderman Vincent asked so we have a small window now before we are at the end. Are there any large concerns other than what you have already said? I understand the healthcare and the other things you mentioned. Is there anything that you are really worried about that we need to think about a plan for? I would imagine that you start planning and if we are going to come up short on something you want to now probably come the April/May timeframe so we can figure that out. Is that how you work that?

Ms. Wickens replied yes and I kind of watch it as it goes along. I mentioned to you that I was starting to get a little concerned about auto registrations because I had them about…

Alderman Vincent interjected but they still have a window.

Ms. Wickens responded they do and they made up $300,000 of the $600,000. I felt they were down in comparison to their budget but they made up $300,000 just in January so that made me feel good. We have to watch it. February seems to be doing okay so we will get through February and see where they are. We will run over on CGL, which is general liability insurance. They also have a reserve of $2 million. They are over by about $132,000. There are subrogation payments coming back but I think they would be over by a few hundred thousand.

Alderman Vincent stated but they have a reserve and most of these departments have reserves.

Ms. Wickens stated the reserve I worry about is healthcare because that is such a huge hit and you don't want to deplete the reserve. We are watching it and we are on it.

Alderman Vincent stated that is stuff we just have to plan ahead for.

Alderman T. Sapienza you mentioned the COLA and you the fact that you are expecting a lot of retirements.

Ms. Wickens replied I do. Just like you saw this year, I remember being in a Board meeting and one of the first thing Alderman Levasseur had mentioned was you have a lot of retirements and I said yes because they kicked it over the line. It is not so much working the whole year to get that extra. They are going to get their payouts under that new rate.

Alderman T. Sapienza asked they are going to get their severance under that new rate right but the pension is state pension right.

Ms. Wickens answered the state pension is for police and fire. The city retirement is separate. It is your three highest years for city retirement. It is not so much working through the year as increasing the payout.

Alderman T. Sapienza asked the severance.

Ms. Wickens responded right and they want that rate.

Alderman O'Neil stated so we know the dollar amount but not the number of employees who have retired.

Ms. Wickens asked for the $941,000.

Alderman O'Neil asked between FY23 and FY24. For the future, can we get that?

Ms. Wickens replied it is in the budget projection report that you will get tonight. You will see the retirements. It is a sheet by department and number of employees. I know that the $941,000 is 25 employees but I can't remember the FY23 number.

Alderman O'Neil asked is there a story to tell with it other than just the COLA's.

Ms. Wickens answered that is the only thing. It was a little eye opening when July came around and there was a slew of them. That is strange so I made a call to Retirement and she said yes that is exactly what it was. It was the COLA.

Alderman O'Neil stated I appreciate that you are going to talk more about healthcare later tonight but there has to be a story behind that or maybe we have to do some digging.

Ms. Wickens responded healthcare costs continue to rise and we also have some very sick members. USI is our broker. They are coming in to meet with the mayor this Friday just to kind of start talking about renewal and things like that. If you recall, when we renewed the rates went up I think 7.5% last year for employees in the city. They are going to let him know what they are seeing and what it is going to be and just start a dialogue with the mayor now because they will need to get in front of the Board.

*On motion of **Alderman E. Sapienza**, duly seconded by **Alderman O'Neil**, it was voted to accept the report.*

*There being no further business, on motion of **Alderman Vincent**, duly seconded by **Alderman E. Sapienza**, it was voted to adjourn.*

A True Record. Attest.

Matthew Normand

Clerk of Committee