



# OFFICE OF THE CITY CLERK

DAWN M. JONES, CITY CLERK

## PERSONNEL AND FINANCE COMMITTEE

SEPTEMBER 20, 2022, 5:00 P.M.

Committee Members Present: Sheila Niezgodski, Eli Wax, Rachel Tomas Morgan\*

Committee Members Absent: Henry Davis Jr., Troy Warner

Others Present: Sharon L. McBride, Lori K. Hamann, Karen L. White, Victoria Trujillo, Shayla Kimbrough, Maricela Juarez, Zoe Tembo, Bob Palmer

Presenter: Daniel Parker, City Controller

Agenda: Common Council Working Session #2: 2023 Budget Discussion

Members marked with an asterisk (\*) are present digitally

Please note the attached link for the meeting recording:

<https://docs.southbendin.gov/WebLink/browse.aspx?dbid=0&mediaid=358009>

Committee Chair Sheila Niezgodski called to order the Personnel and Finance Committee at 5:00 p.m.

### **Common Council Working Session #2: 2023 Budget Discussion**

Committee Chair Niezgodski explained that the meeting's objective was to allow council members to review the budget and seek clarifications from Dan Parker. She emphasized that it was not a forum for public commentary but was open for public observation.

Councilmember Hamann asked about the possibility of freezing the PILOT program despite proposed rate increases to avoid shifting funds from public works to the general fund.

City Controller Dan Parker, with offices on the twelfth (12<sup>th</sup>) floor of the County-City building, responded by explaining that the PILOT program, or Payment in Lieu of Taxes program, compensates the City for property taxes it would otherwise receive from utilities operating as municipal entities.

Dan Parker further explained that the program constitutes three percent (3%) of the net capital assets of utilities, inclusive of depreciation, mirroring what a commercial entity would pay in property taxes. He stressed the importance of maintaining a consistent methodology to ensure fairness and regulatory compliance.

Councilmember Hamann expressed concerns about potential rate increases coupled with PILOT increases diverting funds from public works.

Dan Parker cautioned against changing the PILOT methodology based on current policy preferences, highlighting the risks of future inconsistencies and regulatory scrutiny.

Committee Vice-Chair Wax asked for the current PILOT figure.

Dan Parker replied that it stood just over six million dollars (\$6,000,000) for water and wastewater utilities combined. He clarified that the valuation of net assets used a depreciated cost basis rather than individual assessments.

Committee Vice-Chair Wax sought information on discussions with non-profit entities regarding payments in lieu of taxes like utilities.

Dan Parker confirmed such discussions occurred, citing an example with the Pokagon Band.

Councilmember White sought clarity on whether the PILOT addressed the City's inability to collect property taxes from nonprofits.

Dan Parker confirmed this, noting that utilities, as governmental entities, do not pay property taxes.

When Councilmember White asked how other communities handle PILOTs, Dan Parker explained that it is a common and recommended practice both statewide and nationwide. The City has operated a PILOT program for at least fifteen (15) to twenty (20) years, with a consistent methodology applied for the last six (6) to seven (7) years, despite decreased PILOT amounts due to asset depreciation.

Councilmember White clarified that the PILOT does not lead to an increase in rates charged to customers, aiming to prevent any public misunderstanding.

Dan Parker affirmed this, explaining that while PILOT contributes to the overall expenses of water and wastewater utilities, it constitutes a small fraction of the total expenses and rate increases. He emphasized that the main factor driving rate increases is the substantial investments in capital projects, not PILOT itself.

Committee Chair Niezgodski inquired about the Indiana Utility Regulatory Commission's (IURC) role in regulating rate increases.

Dan Parker described the IURC's thorough review process to ensure expense reasonableness, including the PILOT, to prevent hidden tax increases.

Committee Chair Niezgodski also raised concerns about low utility rates affecting state funding, which Dan Parker confirmed. The state expects municipalities to raise rates to cover costs before seeking additional funds.

Dan Parker clarified that only water and wastewater utilities pay a PILOT due to their significant capital assets, unlike other departments.

Vice-Chair Wax suggested using PILOT funds for the Customer Assistance Program (CAP) to avoid extra charges on ratepayer bills.



Dan Parker indicated this is feasible, recommending annual appropriations for transparency and debate. He noted that any CAP program changes involving water bills would need IURC approval, but currently, the CAP applies only to wastewater bills, which are not IURC-regulated.

Councilmember White suggested creating a comprehensive sheet showing various initiatives and offices supported by American Rescue Plan dollars for clarity as the budget process progressed.

Dan Parker agreed, stating he could provide an updated report either at the upcoming meeting or a future one. He clarified that approximately twenty-five (25) to thirty (30) programs were funded by the American Rescue Plan.

Councilmember White appreciated this information, noting the importance of having updated data for reference, especially when responding to inquiries about program funding.

Dan Parker then outlined the schedule of upcoming budget presentations, including those on September 21, 2022, for the Department of Administration and Finance, the Department of Innovation and Technology, and the Office of Diversity and Inclusion. The following week would include the Mayor's Office, the Clerk's Office, the Council's budget, and the Legal Department. The first week of October 2022 would feature a budget wrap-up meeting, and the final budget vote was scheduled for October 10, 2022.

Lastly, Dan Parker noted the formal budget hearing set for the next regular council meeting. State law requires this hearing, with at least ten (10) days between the hearing and the final budget vote to allow for any public objections.

With no further business, Committee Chair Sheila Niezgodski adjourned the Personnel and Finance Committee meeting at 5:35 p.m.

Respectfully Submitted,

Sheila Niezgodski, Committee Chair

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