



The Honorable Mayor Shaunna O'Connell

City of Taunton Investment and Collection Update

Presented by the Finance Department
Office of the Mayor
04-11-23

Update City Officials and Residents

- ▶ Objectives
 - ▶ Investment Outlook
 - ▶ Banking Security
 - ▶ Police Detail Collection
 - ▶ Tow Fee Collection
 - ▶ Motor Vehicle Excise Collection
 - ▶ Tax Title

Investment Outlook

▶ City's Investment Outlook Remains Strong

- ▶ Average Yield on Bank Accounts over 4%
- ▶ Treasury Bills Yield Close to 5%
- ▶ Interest Revenue for FY23 projected to be over \$3M higher than FY22

▶ Investment Outlook Bond Market

- ▶ Credit markets should remain strong with corporate spreads remaining at current level
- ▶ Should the recent follies of several banks not remain contained, then yields in general would lower
- ▶ However, credit yield spreads on corporate bonds, particularly the financials, would gap wider putting downward pressure on corporate bond prices
- ▶ If the Fed finds that it has in fact pushed rates too far too quickly and plunges the economy into a recession, then corporate bond spreads would also widen and lower corporate bond prices

Investment Outlook - Treasuries

▶ Investment Outlook on US Treasuries

- ▶ Treasury bond yields and prices move inversely. Currently, we are witnessing extreme movements on a week by week basis where completely different economic outcomes are being priced in, only to be reversed by the next day's news flow and reaction by the federal reserve and the Treasury.
- ▶ Fed. Govt. would like to attain a terminal rate or an end point to its rate increases and then remain at that level as long as possible for the economy to absorb higher rates and lower inflationary pressures.
 - ▶ However, the series of banks either failing or needing assistance disturbs this plan and has increased pressure on the banking system.
 - ▶ This could force the Fed. Govt. to pivot direction and begin lowering rates by second half of 2023.
- ▶ There is yet another issue for the Treasury market...the debt ceiling
 - ▶ The President's administration has already placed a high bar for negotiations with its first draft of a budget with larger than anticipated increases.
- ▶ As we have seen before, policy makers often use this platform to grandstand and move their agendas
 - ▶ At the end of the day, cooler heads need to prevail sooner rather than later.
- ▶ The longer the talks go, the more volatile interest rates will become and the more choppy markets will behave.

Investment Outlook - Stock Market

▶ Investment Outlook on Stock Market

- ▶ Stocks declined throughout 2022 on concerns of an impending recession.
- ▶ Should the recession be avoided with a “soft landing,” then we would expect stock market prices to reflect a new trajectory of higher earnings, thus higher prices.
- ▶ In the interim, day to day news of bank failures or rescues will create increased headline risk and volatility.
- ▶ Prices will decline as investors turn to Treasury securities with bad news and spike on items that reinforce investor confidence.
 - ▶ The actions of the federal reserve are being watched closely by all.
- ▶ Should we get recessionary pressures and further declines in stock prices in the shorter term, remember that analysts view companies’ earnings two years from now.
- ▶ Also, downward earnings estimates were being calculated into prices last year.
- ▶ If things start to look worse economically in-line with the prior lower earnings forecast, the stock market may then reverse course to reflect the next two-year earnings view of better times even though the current path still looks cloudy and murky.

Banking Security

- ▶ Silicon Valley Bank & Signature Bank
 - ▶ Liquidity Issues
 - ▶ Poor Investments
- ▶ Update on Our Banks
 - ▶ 12 Financial Institutions
 - ▶ 12 Letters of Good Standing
- ▶ DIF update
 - ▶ 2 Banks Losing DIF (Deposit Insurance Fund) Coverage
 - ▶ Treasurer-Collector Protected Deposits not Covered by DIF:
 - ▶ IntraFi Coverage
 - ▶ Collateralization Coverage
- ▶ Veribanc
 - ▶ Rating review system
 - ▶ Ensures secure banking practice
 - ▶ Will be updated in Finance Policies

Police Detail Collection

- ▶ DTS
 - ▶ Mailed 176 Demand Notices (30+ days late) between 8/29/22 and 3/31/23
 - ▶ Demands totaled \$523,312
 - ▶ Collected \$419,068
 - ▶ 80% Collection Rate
- ▶ Collection Practices since September 2022
 - ▶ Added a Part-Time Clerk to manage all police detail billings and collection
 - ▶ T/C Office began collecting ALL payments effective 2/1/23
- ▶ Enforcement Action
 - ▶ Assess a \$25 Late Fee
 - ▶ Call Vendors to discuss late payments
 - ▶ Send follow-up emails and letters
 - ▶ Plan to suspend future police details over 90 days late (effective July 1, 2023)

Tow Fee Collection

- ▶ 6 Towing Contractors
 - ▶ Billed \$9,280 between 11/1/22 and 3/31/23 (includes \$1,320 not yet due)
 - ▶ Collected \$7,680
 - ▶ 96% Collection Rate
- ▶ Collection Practices
 - ▶ Get tow log from Police Department every 2 weeks
 - ▶ Create invoices and mail every 2 weeks
- ▶ Enforcement Action
 - ▶ Call tow companies
 - ▶ Send follow-up emails and letters
 - ▶ Remove tow companies from tow rotation if more than 90 days late

Motor Vehicle Collection

- ▶ Commitment One
 - ▶ Mailed 50,978 bills totaling \$6,275,179
 - ▶ Collected \$4,811,079 as of 3/28/23
 - ▶ 77% Collection Rate
- ▶ Historical info on collection rate of commitment one
 - ▶ Issued in February this year rather than March
 - ▶ 3-Year Average: \$6,061,209
 - ▶ 3-Year Average: 50,052 bills
 - ▶ 3-Year Average: 76% collection rate

Tax Title

- ▶ Tax Title and Land Court Cases
 - ▶ FY23
 - ▶ \$283,553 Placed in Tax Title
 - ▶ 127 Active Land Court Cases
 - ▶ FY24
 - ▶ 25 New Projected Land Court Cases
 - ▶ \$900,000 Projected Land Court Payments and Redemptions
- ▶ Where to Get Help
 - ▶ Expanding Tax Deferral Program
 - ▶ Helping Hands Fund
 - ▶ Payment Plans Available
 - ▶ Current year taxes must be paid in full
 - ▶ 25% of total due must be put down (Interest continues to accrue)
 - ▶ 12 months of payments
 - ▶ No future payment plans if default on payments

Comments and Considerations

- ▶ Mayor O'Connell's Finance team is leading the way in secure banking practices
 - ▶ SAFETY LIQUIDITY YIELD
 - ▶ City of Taunton's funds are safe and secure
- ▶ Mayor's Finance team has tackled outstanding police detail invoices
 - ▶ Practices and Procedures to ensure we stay on top of accounts
- ▶ Treasurer-Collector Office working through Tax Title cases
 - ▶ Fairness for all tax payers
 - ▶ Ability to seek payment plans
 - ▶ Mayor O'Connell is expanding tax deferral program to help those most in need
- ▶ Excise Tax Commitment One is underway
 - ▶ Collection activity to increase revenue

Thank You Mayor O'Connell and Municipal Councilors