



Founder's Day, March 17, 2011

Good afternoon, everyone, and Happy St. Patrick's day. It is great to be here with all of you today. I would like to thank Chamber President, David Daugherty, and all of the Chamber staff, members of the City council, and every one of you, community leaders, benefactors and volunteers who are here for this Founder's Day event. Thank you for coming and for inviting my participation each year. I always look forward to it.

I appreciate the good relationship that has continued between the City of Goshen and the Chamber of Commerce. Many other mayors wish they had it so good.

This year, Goshen celebrates its 180th birthday. April Fool's day is the anniversary of my taking office....no snickers, please. When I think over the chapters in our community's collective history, and recall the changes and growth we have seen here over the generations, it makes my years in office feel like a very short period of time. I love this City and what makes it home to us.

Two wise women in my life - my wife, Carol, to whom I've been married for going on 34 years...thanks, Carol, for your perseverance... and my assistant, Jo Lung, whose been with me since I came into this office, - advised me to keep my speech to the point this year. I hear what they are saying, but it will not be easy when there are so many great things happening in Goshen.

Today, I will share some vital ways your City government and its leadership is working for you. We will begin with the state of the City's financial condition. Then, I will bring highlights of the past year and a glance at current and future projects.

We all know that cities, towns and counties across America are struggling to find ways to do more with less and less. Indiana property taxes are down due to circuit breakers. Income taxes are down due to the national economy. Miscellaneous revenues from the State of Indiana are down too, as it tries to balance its budget.

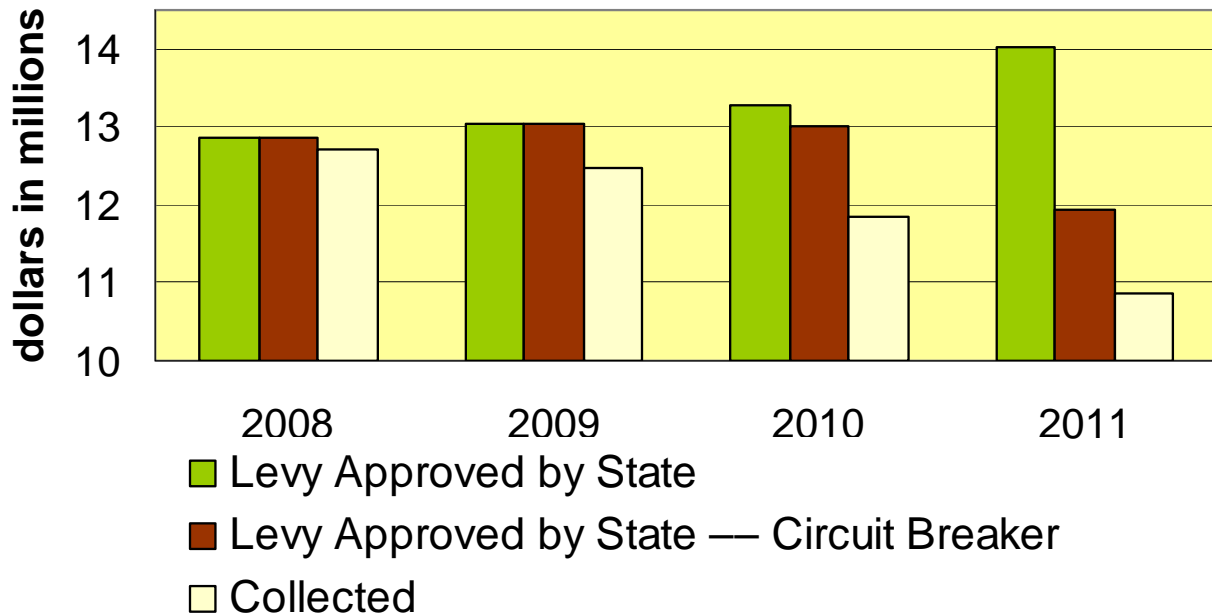
The national recession has been a hard blow to your businesses and industries, our neighborhoods, homes and families throughout Goshen. In depths of economic and social struggle not seen since the Great Depression, Goshen has held on. Together, today, we are

renewing our collective strength and optimism as the economy steadily rebuilds. Economists say we have already made it through the hardest of the trying times and things ARE getting better, but there is still much work to do together.

In terms of City budget management, Goshen has coped well through the drastic downturn. Despite cuts to state and local revenue streams, the City has effectively protected all of your essential City services - not cut them. We are doing far better than some neighboring communities. New Albany laid off half of its Street Department. Huntington, Muncie and Kokomo laid off firefighters. LaPorte reduced wages and increased health insurance deductibles to \$10,000. Merrillville has been delinquent in paying electric bills for street lights.

Here, we are carefully monitoring budgets and cash balances. Experienced and dedicated department managers show good stewardship by being fiscally prudent with your tax dollars. We all know there is not enough money to do everything we dream of doing, but where it counts most, we have provided all the essential services residents need and deserve. We constantly weigh short and long term benefits of investments in public safety, economic and community development, infrastructure, and quality of life amenities that make Goshen a healthy and unique place to live.

Property Tax

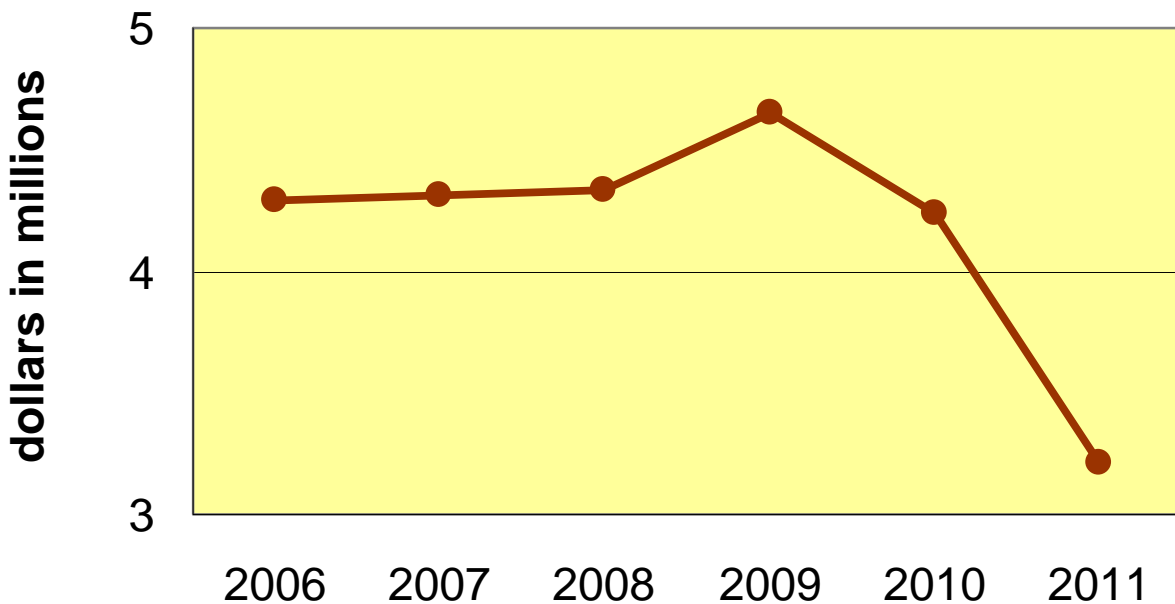


The property tax is the main source of income for all Indiana cities/towns and counties. For Goshen, property taxes have historically been about 50% of total income. From 2006 through

2010, property taxes dropped from \$12.7M to \$11.8M (-7%). This reduction is a combination of state-imposed property tax caps and reduced collection rates due to economic conditions. However, the biggest reduction in property taxes hits this year. As recently as a year ago, our local state legislators were looking at a hit for Goshen of “only” \$1.2M. Giving a benefit of doubt to the estimators at the state’s Legislative Service Agency, perhaps someone was dyslexic. Our real hit this year was just released by the county auditor. It is NOT \$1.2M. It is **\$2.1M**. To make matters even worse, if the collection rate is 95% as it was in 2010, property taxes will be about \$1M less than in 2005. The County Auditor expects property tax caps to be even worse next year. Though they were warned about future effects, I doubt very much that any state legislator had a good idea of the magnitude of tax cap repercussions.

Income Taxes

1% County Adjusted Gross Income Tax
+ 0.25% Economic Development Income Tax



A second, significant revenue is income taxes. They are 1% Local Option Income Tax (CAGIT) and 0.25% Economic Development Income Tax (EDIT). This revenue has fluctuated and was modestly lower in 2010 (\$4.24M) than in 2006 (\$4.29). The scarier thing is that this year it will be down \$700K from 2010, or \$1M less than 2009, a drop of 30%. It also has not been that low since 2005.

Income taxes are a bone of contention between local and state governments. There is a two-year delay from the time your income taxes are withheld until they are distributed back to counties. There is little transparency between what is collected and what is distributed. Consequently, there is little trust that 100% eventually comes back.

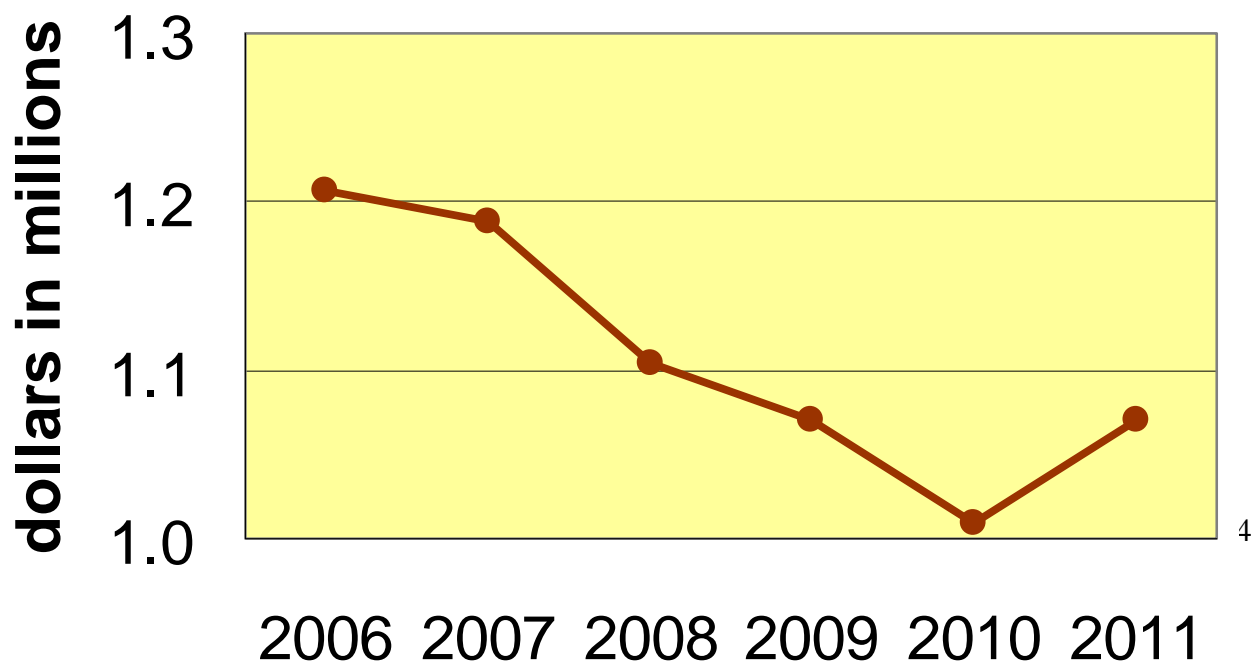
Because of the two-year lag, the decrease is not noticed at the start of a recession. And the rebound in distributions is delayed also. That is why we are feeling the large impact this year. You also may have seen in the news that the state is claiming overpayment of \$609M to local government and intends to recoup \$412M over the next three years. This would reduce distributions even further. Elkhart County has been informed that its share is \$16M. I have not been told yet what Goshen's share is. But it is apportioned based on property tax shares among the county and municipalities. So I am guessing our hit will be something approaching \$500K per year for four years. When the Indiana Association of Cities and Towns and the Association of Indiana Counties have investigated, they have not found data to support a \$609M overpayment.

When the state went to delayed distribution, it was intended to eliminate high and low spikes in distribution. That has not worked.

An argument could be made for local county collection of local option income taxes. Transparency would be better, delay could be shorter, and it could help local governments' cash flows instead of the state's cash flow. There would be greater trust that we are receiving all we are due.

Fuel Taxes

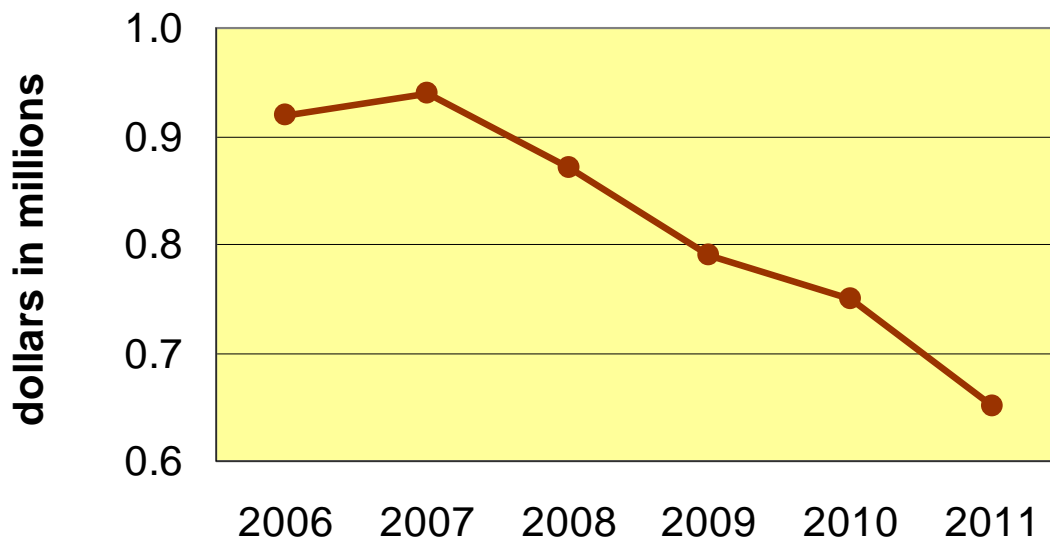
Local Road & Street + Motor Vehicle Highway



Fuel taxes that support the Street Department, repair roads and purchase equipment also were reduced from \$1.2M in 2006 to \$1.0M in 2010. Seventeen percent over five years is significant. But its effect is multiplied by the increased cost of paving, patch material, road salt and gasoline/diesel fuels. We were told to estimate a small bounce back this year. But we have been told that before and the opposite has been the reality.

Miscellaneous State Taxes

financial institution + excise + alcohol + cigarette



Other taxes:

These include financial institutions tax, motor vehicle excise taxes, alcohol taxes and cigarette taxes. You see a common trend here...down from \$915K in 2006 to \$652K this year. Does it appear we are doing more than our fair share of balancing the state's budget?

We paddle harder.

As business leaders, you all want to know how the local government can operate like your businesses would in challenging times.

Job #1 is managing all City money with efficiency and moderation. Just as most local businesses and residents have had to tighten belts, so have all City departments.

We have combined some management positions and have left some vacancies unfilled. Operating a leaner City government means City staff is working harder and doing more work

because the City's staff is 10% smaller than it was a few years ago. This is not unlike what many of you have had to do.

But in other ways, running municipal government is NOT like running a business. I can speak from experience as I managed a private business for many years before coming into City management. There are two unquestionable realities I hope we can understand when considering the concept of running government more like a business. When the economy tanks, demand for public services doesn't drop. There are not fewer RVs to build or rubber gaskets to ship, or cars purchased, requiring fewer employees. In some cases, police services for instance, the demands on City government increase. When you run a business, you do not have to seek consensus from a broad range of public bodies, communities within communities, including elected representatives. It is less complicated for a business to make administrative decisions and to implement them, than it is for a local government. I have been on both sides.

That is because a city is not only a business. It is a multi-layered, complex community of communities made up of people from all walks of life, including young and old, schools and community groups, faith and not-for-profit organizations, large and small families, the employed and the unemployed. A city is simply not a business. Many business principles do apply to managing a city, but many human and community resources must come together in harmony to make a city home.

When local City government works to manage Goshen's budget like a business, we are also stewarding a careful balance between fiscally-responsible budgetary practices and the responsibility we all hold to leverage the very best of our community's creative human potential, and the best of our rich and varied community assets.

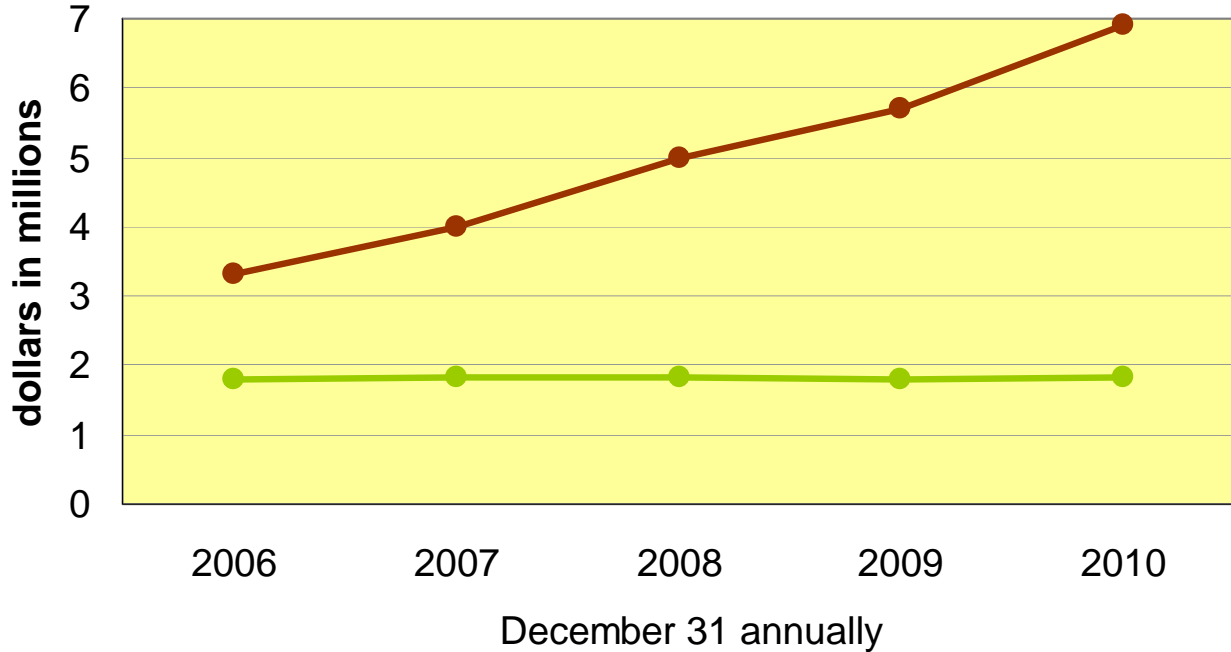
Having said this, you may be thinking it is one big prelude to telling you that our cash balances are in the toilet. I am glad to say it is quite the opposite.

While the other graphs looked dismal, this one does not. We have been able to do a little better than stay even for cash balances in our cumulative funds. These include capital development, fire department and storm sewer funds. We are working on a lot of projects, but at the same time protecting cash balances.

But here is even better news.

Operating Balances — Big Three

General Fund + Motor Vehicle Highway (MVH) + Parks & Recreation



This represents the operating balances in our “big three” budgets, General Fund, Streets and Parks/Recreation, where all personnel costs are carried. Despite about \$1M in hits previously mentioned, cash balances again increased, this time by \$1.2M.

The lower green bar is at 10% of the total annual budgets for these funds. It stays right about \$1.8M per year. This is a level that cities often shoot for, and is the target recommended by the Department of Local Government. However, it is barely adequate, even in good times, for normal cash flow purposes and unexpected emergencies. At \$6.9M, these operating balances are about 38%.

We have been able to build operating balances because the City of Goshen is a committed force of skilled, innovative, and committed people who are working for you to conservatively steward tax dollars. Department heads have made reasonable and responsible budget requests. They have not spent all they have been given the authority to spend by the City Council.

Finding efficiencies is not always easy, but we have done it. Considering the news we have received recently about tax cap effects and income tax, we will all need to redouble efforts if we want to balance the budget, as we have every year so far. But if we need to use a little of the savings we have so carefully built, they are there for just such challenging times as these.

We are all working for you, for financial security.

Goshen's sound financial management is being recognized by the state of Indiana, albeit in a back-handed way. When the state raised sale tax, they took on the responsibility of paying what had been cities' share of pensions for already retired police officers and firefighters. This was not a windfall to local government as the state reduced our property tax levies. When they calculated ours, they reduced it \$330,000 per year too much. We pointed out the error, had it documented, and the City Council filed a formal appeal to get it restored. The state denied the appeal. They did not deny making an error. They simply said they would not fix their error because our operating balances were sufficient...specifically, we are over 10%.

Imagine that. We have done the right thing by being good stewards of your tax dollars, so the state does not feel compelled to fix its mistake. I have asked Senator Carlin Yoder and Representative Wes Culver to look into the situation. Perhaps an amendment can be introduced **requiring** the state to correct its errors. Since the error was made, the City of Goshen has lost over \$1M in property tax collections.

We are working for you in community development.

We are working for you to develop this community in ways that are pleasing to us, and attracting many others. Goshen is a creative, connected community that is adept at bringing out the best of what makes this City home. We should celebrate our unique assets and quality-of-life amenities. These give us a sense of place, a sense of pride, and a sense of belonging.



- Downtown
- First Fridays – I’ve talked in the past about the creative folks behind this effort. I’d like those who are here to stand: Gina Leichty, Grace Hunsberger, Dave Schrock Shenk, Brad Wierich, Loren Hodges, Val Collins, and Lynne Zehr.
- Shanklin-Millrace Park passage

We are working for you in public safety and protecting your families.



- Tornado sirens - \$250,000 upgrade
- Improved ISO fire rating. Improved to Class 3. Only 2.5% of cities in Indiana or the US are rated this highly. This matters to you, as it reduces insurance.

We are working for you to improve transportation.

- Waterford Mills Parkway extension to SR15 – Allan’s “road to nowhere”
- LeRoy and Clarence moved to Goshen
- End of pavement for new CR17 in middle of a farm field – county’s “road to nowhere”
- Potential railroad relocation or improvements

We are working for you in sustainability.

- Combined Sewer Overflow projects. Finishing this spring. Detention facility with its own power substation, 90” sewer, lift station, and automated controls for water and sewer utilities. Allows further reductions in staffing. Finishing up this spring. Goshen was one of the first to have its plans approved by IDEM and one of the first to have completed its buildout.
- Neighborhood associations
- IACT’s Green Community of the Year

We are working for you in redevelopment.



Goshen’s Redevelopment Commission was established thanks to good support from the Chamber of Commerce.

- Hawks Furniture building
- Current Street Department site
- Western Rubber deconstruction
- 9th Street corridor planning

We are working for you in economic development.

Goshen has a few natural barriers to expanding industry.

- We’re not adjacent to the Toll Road, like Elkhart
- We don’t have as big a selection of vacant buildings to choose from
- We don’t have electric rates as low as I & M

We are working for you by overcoming these obstacles.

- \$150K from Economic Development Income Taxes to support the Chamber of Commerce, Economic Development Corporation of Elkhart County, Downtown Goshen Inc., and the downtown façade program
- Vacant property tax abatement
- Job training grants
- Utility planning for north industrial park

There are a ton of projects either under construction or in planning stage.

- Bike and Pedestrian paths, sidewalk improvements and parks:
- MapleHeart Trail from water plant to City limits
- Northwest path along Bashor Road and to the back of Market Center
- Monroe Street to the fairgrounds
- Connecting East Goshen through Abshire Park to the fairgrounds
- Sidewalks on South Main Street
- City wide 50/50 sidewalk program
- Sidewalks in the Dickerson Landing neighborhood

Road improvements:

- Connecting Waterford Mills Parkway to SR15 across an overpass
- Correy Drive in the industrial park
- Industrial Park south entrance on Kercher Road
- Jefferson Street reconstruction, beside the Chamber of Commerce.
- Utility improvements;
- 10th Street Sanitary Sewer
- 6th Street sanitary sewer
- Combined Sewer Overflow, 90” sewer
- Rock Run Creek sanitary sewer
- Storm Water
- The countywide stormwater assessments pay these
- Industrial Park drainage
- Scattered neighborhood drainage issues
- Brownfield redevelopment
- River Race

Street Department:

- Western Rubber deconstruction
- 9th Street corridor planning grant: Becky Hershberger
- Quality Drive Away site
- Environmental Center

- Public Private partnership to clean up this site. Soil Solutions replaced Brock Trucking.

Private Development:

- Goshen Hospital, mechanical building
- Greencroft additions to the Senior Center
- Another auto parts store, believe it or not
- MC Sporting Goods and Wal-Mart expansions at Market Place
- Local construction contractors doing Neighborhood Sustainability rehabilitations and replacements.
- Fairgrounds expansion of RV camping facilities

You might have noticed I did not mention the proposed roundabout at 15th Street and College Avenue. Announcing this project created a firestorm. While this was discussed with Greencroft and there is good engineering logic behind the idea, it is evident from community reaction that we did not bring enough stakeholders into earlier discussion. As mayor, I will take responsibility for that. And because of that, it appears public perception is that traffic is not enough of an issue at that spot to make it a high priority.

So we will be putting a hold on this project to give time for further conversation with all segments of the community that would be affected by the situation we have in this area. In addition, along with the engineering department, we will invite more community input regarding other projects and priorities to achieve better public understanding and gain better consensus. Between College Avenue, the south entrance to the Industrial Park, the south link road, INDOT's US33 project, and potential RR relocation or alternatives to relocation, there's a lot to talk about.

This will ensure that all segments of the community are given a chance to participate, and will ensure the best use of taxpayer dollars.

The roundabout proposal did get assigned \$800,000 in federal funds as an air quality improvement project. We compete with other communities for these funds, and I don't want to give them up. But perhaps we can qualify a different project for them.

There is a philosophical issue about whether or not we should be spending federal funds. Some say we should be balancing the federal budget. After all, these are our tax dollars, also. That's my point. These ARE our tax dollars, sent to Washington. My opinion is if the federal government is going to spend our money, we need to get our fair share back here to improve Goshen. We are not going to balance the federal budget by not taking what is available. We would not even make a dent in the deficit. What we do not take will go to improve Elkhart, or South Bend, or Salem, Oregon.

I heard the argument "we wouldn't do a pedestrian tunnel if we didn't get federal funds." That is correct.

There are a lot of projects on the map. Many of them would not happen without federal funds. There simply are not enough local funds.

- Sewer rates would be higher, as there is \$5M in federal funds being used on CSO projects.
- There would be no \$2.1 Neighborhood Stabilization program to improve neighborhoods.
- We would not have been able to do the equivalent of an extra 3 years of normal summer paving without American Recovery and Reinvestment Act funding.
- There would be no CDBG program to provide support for limited income homeowners to repair their homes, extra infrastructure work in neighborhoods and grants to local not-for-profits.
- There would be no brownfields redevelopment.
- There wouldn't be an overpass planned on the south link road to relieve traffic on Kercher Road.
- There would be no pedestrian tunnel.
- We would not have a developed bike and pedestrian path system.

The list goes on...

All these things are part of community development. And community development IS economic development.

What else can we be doing?

This is the widest and deepest recession most of us have experienced. People who have never been without work and who never imagined they would be, have been unemployed for long stretches. People are struggling to pay mortgages and taxes, to clothe their families, and to pay for lunches and book rental at school. Some in their 50's and 60's despair that they'll never work again.

That is why we are doing things never done before, such as using TIF training grants to prepare unemployed workers to start working again. As a City, we will keep moving forward to promote, attract, and retain new, diverse businesses and industries, quality jobs, and new opportunities in every sector we can develop.

Despite our hard work and creative incentives for industrial development, losses can happen. We cannot prevent the state of Florida from offering a \$10M incentive for MedTec to consolidate facilities with their parent company, OshKosh.

Sometimes, we will step forward and be pushed back. Still, we keep moving onwards, together.

We have not exhausted our wealth of energy, ideas, skill and drive in this City. Just look at the bright and successful people all around you. As I look around me here today, this group

represents, to me, unlimited hope and optimism that Goshen's best and brightest future is yet ahead. We are all in this together, and as a strong community, I know we will thrive.

Leaders, Goshen **IS** working for you. I said earlier that we have reduced staff. Fewer people are doing more work so you do not have to experience less service.

However, because we have purposely been growing our operating balances in anticipation of the hard times on the horizon, by the end of 2012, City staff will have gone without any meaningful increase in take-home pay for four years. They also are paying more for health insurance. Yet they come to work every day with positive attitudes and a commitment to their mission to make this City better than it was when they came to work here.

I have said "we" and "the City" a lot during this presentation. I am only one small part of "we." Our employees are the backbone of your local government. Some of them are here today.

I would like them to stand as I call their names and remain standing. I invite each of you to join me in recognition and appreciation for their efforts.

Finally, I invite you and your families to The Goshen Theater on Tuesday, March 29 for a free showing of WNIT's "Our Town: Goshen" at 6:30 p.m. I am excited about this community event and the opportunity it affords us to come together to celebrate much of what makes Goshen home. This one-hour film was created by amateur videographers and with guidance from WNIT producers. Some of those videographers will be there and may share some of their thoughts about the experience.

This is a great opportunity to see the theater.

After a brief intermission, there will be a traditional Town Meeting, similar to those I've held every year while in office. I'm hoping we can also take a little time for audience members to share memories and thoughts about what makes Goshen home to them. It should be a good time for everyone.

You have expressed your thanks to City staff. Now, it is time for me to thank you. Not just for listening today, but also for investing your lives and your wealth of skill and talent in Goshen and for working with us, as we keep working for you to make Goshen home for us all.