

State of the City
March 15, 2012

I'm pleased to announce that conditions in Goshen are generally positive. Some great things happened in 2011, and more good things lie ahead. Of course there are some concerns.

Financial Condition

One thing we have to be wary of is the City's financial condition. Of primary concern is the effect of property tax caps and the recession on city finances, and consequently, threat to municipal services. I'm sure you've heard the financial wailing from other cities in Indiana and across the nation. Our financial condition is still pretty good, but there is cause for concern if there is hiccup in the economic rebound we've seen recently. Solid financial footing is the foundation of everything we do...both necessary and desired services and amenities.

I'll spend a little time updating where we are. To know where we're headed, it helps to know where we've been.

Property taxes: One of our largest challenges is declining revenue, especially from the effect of property tax caps. But combine that with a recession that causes some people not to be able to pay their property taxes, or their mortgages, which in turn results in foreclosures, short sales and declining assessed values, and we have the "perfect storm" for declining property taxes.

- 2007 the DLGF approved "maximum" property tax levy was \$12.3MM. There were no caps in effect at that time. We collected 102%.
- Last year (2011) the DLGF approved "maximum" property tax levy was \$14.03MM. Tax caps deducted \$2.08MM. County only collected 92% of the balance, or \$10.98MM. This is the lowest amount collected since 2004.
- For this year (2012) the DLGF approved "maximum" property tax levy is \$14.72MM. Anticipated tax cap loss is \$3MM. If collection % is similar to 2011, we will not see a gain. However, I'm estimating 95%, averaging 2010's 99% and 2011's 92%.

Assessed Valuation: This is the total value of all buildings and equipment in the city. The impact of property tax caps is made worse by declining assessed values. As AV declines, the property tax rate is driven higher. This makes the loss to caps higher.

- 2007 pay 2008 AV was \$1.304 billion. Goshen City tax rate \$0.985 to reach the \$12.7MM tax levy.
- 2011 pay 2012 AV is \$1.077 billion, a decline of 17%. Tax rate is \$1.366 to reach the tax levy of \$14.7MM, a 39% increase. But after tax cap losses and depending on collection rate, we may or may not see more revenue.
- If our AV had grown 2%/year since 2007, current AV would be \$1.44 billion, and current tax rate would be about \$1.02 to get to a property tax levy of \$14.7MM. Loss to property tax caps would be far less. If AV was to begin growing at 2%/year, it will be 2022 before we get back to 2007 AV.

This is why neighborhood work and economic development are important. Financial stability is directly tied to stability and growth of Goshen's assessed value.

Further lowering of property taxes

During the budget process for 2012, I was asked how much we'd have to cut our budget to save property tax payers even more than current caps save them. I couldn't answer, as I could not know this year's tax rate yet. Now that it has been determined, I calculated it. Tax rate is the variable we need to calculate in order to know how much property tax levy to cut. Things we know:

Current total Goshen AV (all real and personal property) = \$1,077,477,655

Current total tax rate in Goshen City, Goshen Schools = \$3.3447

Current city only tax rate = \$1.3659

Current Goshen "maximum" property tax levy = \$14,717,268

Formula to calculate property tax on a home is:

Assessed value

Deduct \$45,000 standard deduction (or 50% of AV if it is less than \$90,000)

Deduct 35% of remainder

Deduct \$3,000 if there is a mortgage

Divide remainder by 100

Multiply by property tax rate

= property tax amount

So for example, on a \$100,000 house:

$$\frac{(\$100,000 - \$45,000)(.65) \text{ minus } \$3,000}{100} \text{ times total Tax Rate} = \$1,000$$

For the owner of a \$100,000 home to pay less than 1%, total tax rate would have to be less than \$3.0534. Presuming other units of government that are part of the current total of \$3.3447 rate do not cut their tax rates, Goshen would need to cut our city-only tax rate by nearly 22%, or nearly \$3.2MM from operating balances and/or expenses. If taken only from operating balances, it reduces them by over 50%.

For the owner of a \$150,000 home to pay less than 1%, again presuming other units of government don't lower their budgets and tax rates; total tax rate would need to be less than \$2.299. We would need to cut our city only tax rate over 76%, or \$11.3MM. This is over 53% of our total non-debt service expenses from funds receiving property taxes. (We can't cut debt service levy.)

We couldn't save the owner of a \$75,000 home anything until the tax rate rises to \$3.5088. Owners of lower value homes are the losers in the tax cap scheme rolled out of the legislature. They pay the extra 1% sales tax, PLUS their property taxes continue to increase until they hit 1%.

Building Department

Statistics from the Building Department show how the recession impedes growth of assessed value. It's encouraging that some recent years have included higher value homes.

Income Taxes: These have been declining since 2008. A slight rebound is predicted for 2012. In 2011, we received about \$150K less than in 2004.

Fuel Taxes: These have been declining since 2007. A slight rebound is predicted for 2012, but an uptick was also predicted for 2011 which didn't materialize. While revenue goes down, cost of paving materials and equipment rises. Bottom line is we don't pave as much as we used to. And services are provided with fewer people. The most perplexing drop was in wheel tax, from \$546K to \$475K. I didn't think that many fewer cars were being licensed.

Miscellaneous Taxes: These include financial institution, auto/commercial/aircraft excise, cigarette and alcohol excise and riverboat revenue sharing taxes. The general trend has been down since 2007. After a small increase in 2011, a slight decrease is anticipated again for 2012.

Operating budgets: The most critical three funds are the General Fund, Motor Vehicle Highway Fund and Parks/Recreation Fund. These I consider the "big three" because it is where almost all personnel costs reside, both payroll and benefits.

- **Expense:** Predicted 2012 expense is based on 95% of the budget being spent, which is in the range of what has been spent in recent years. 2012 is only slightly higher than 2006.
- **Revenue:** Revenue line reflects prior graphs for property, income, fuel and miscellaneous taxes. 2012 shows two dots. One is at 100% collection and the lower one at 95%.

Operating Balances

2011 ended with operating balances equal to 24% of 2012 "big three" budgets. This was after transferring \$1.7M into the Rainy Day Fund. Operating balances continue to be well above the 10% minimum desired by the Department of Local Government Finance, and the 15-20% recommended by financial consultants.

A \$3.1M Rainy Day Fund and \$2M Electric Utility Sale Fund add to our financial cushion.

Perspectives

Those of you who were here two years ago may remember these two guys. Clarence and LeRoy. I told you their story to demonstrate the importance of perspective.

This year, I have a different illustration. I'm sure you all recognize this place. How many of you have visited it? Have any of you seen Mt. Rushmore from its Canadian side?

It's not quite as attractive. I've already given you the not-so-pretty perspective. Now I'll turn to the more attractive side.

Job announcements

In a recent e-mail, the Economic Development Corporation of Elkhart County announced that our county ranked #1 in Indiana for job growth from March 2010 to March 2011. I'm pleased that much of that activity has happened in Goshen. For all of 2011, EDC projects announcements included \$115M assessed value. Nearly 70% of this was in Goshen.

Our Community Development Director Mark Brinson has worked effectively with Dorinda Heiden-Guss, Dave Ogle and support staff at the Economic Development Corporation to secure some great job expansions announced in the past year. For a small staff of four, they are being very effective. I'm very appreciative of the work of the EDC helping Goshen thrive, and the support of Goshen City council members in approving tax phase-ins.

- Deloro Stellite, \$4.2MM, 30 jobs
 - Benteler Automotive, \$61.387M assessed value, 178 jobs
 - GDC, \$5.1M assessed value, 73 jobs
 - Wieland Designs, \$1M assessed value, 120 jobs
 - Lippert Components, \$650K assessed value, 180 jobs
 - Kinro, \$3.5M, 20 jobs
 - Supreme, \$7.3MM, 350 jobs
- Total assessed value \$83.1MM, 951 jobs

It's important to note that there is diversification in these announcements. RV has been our bread and butter for a long time. And we'll do all we can to nurture that industry. But we're seeing growth in other industries as well, which bodes well for better future stability of the workforce.

Recent experience is testimony that most job growth comes from existing companies expanding. The Economic Development Company spends about 80% of its time and effort working with existing companies, meeting their needs and fostering their growth.

The trend for manufacturing jobs returning to the US from foreign countries is promising for Goshen and Elkhart County. We have a ready and able workforce for many of these jobs. However, it's critical that we recognize the need to upgrade the educational attainment of that segment of the workforce. To attract higher tech and higher paying jobs, we will need to demonstrate that we have a capable workforce for those jobs, as well. It will take education beyond a high school diploma. This is why it is important for local government and private sector to support the initiative coming from Horizon 2.0 for form a county wide educational alliance of all seven public school corporations.

Seeing companies grow in Goshen is a reward for hard work to maintain a good quality of life and improve community assets.

Redevelopment Commission

Without doubt, the Redevelopment Commission has been extremely active. It's important to note that we would not have a Redevelopment Commission without the support of the Chamber of Commerce. When Sam Willits was the Chamber President, the Chamber helped convince the City Council to establish it. Under the very capable leadership of President Tom Stump (president of both City Council and the Redevelopment Commission) great things are happening, with more on the way. Other Redevelopment Commission members are Jeremy Stutsman, Steve Oyer, Laura Coyne, Vince Turner and school board representative Cathie Cripe.

Noteworthy accomplishments include:

- Planning was completed for potential improvements along the 9th Street Corridor. 100% of the plan's cost was paid by an EPA grant. Only 23 such grants were awarded nationwide, and Goshen was the only small city to receive one. It is testament to the great relationship developed between Goshen and EPA staff through effective administration of prior brownfield cleanup grants. The goal of improvements is to enhance the ability of manufacturing businesses in the corridor to thrive, and at the same time for the esthetics to better complement adjacent residential neighborhoods.
- Cleanup of the former Quality Drive Away site just north of the SR15 overpass was completed. A passive park is being developed. The Goshen Rotary Club is donating funds for some of the development. Cleanup to residential development standards was too costly.
- The former NIPSCO site beside the tailgates of the millrace is currently being remediated. Development of a parking lot is public/private partnership with Interra Credit Union.
- With partial funding from the Commission, the Street Department completed its relocation to a renovated former Dutchmen Manufacturing building on Steury Avenue. The project had some unexpected surprises which increased cost. But the site, across from Elkhart County's maintenance facility is ideal. Street Department staff did a lot of the work, or cost would have been even higher.
- Former Street Department buildings are being removed in preparation for the soils to be remediated.
- This is the location most preferred by a group organized by Dr. Don Minter working on the possibility of a community center.
- Plans to redevelop the former Hawks Furniture building along the millrace with LaCasa continue. LaCasa has contracted a feasibility study for a mix of light commercial and artist loft apartments. Permission is being sought from DNR Historic Preservation to remove the one-story additions that are not part of the historic structure.
- US33, River Race and Downtown TIFs are being combined for better project flexibility and sharing of funding.
- In addition to EPA funding for brownfield remediation already done and in process, City secured \$1.3M to use as revolving loan fund to help other local entities identify and remediate contamination.

TIF Revenue

Except for a hiccup from 2009 to 2010, revenues have been steadily increasing. Revenue growth is moderated by a number of assessment appeals and falling industrial property values.

Future Redevelopment efforts

- Waterford Mills Parkway (south link road) overpass to SR15
- US33 beautification
- Extension of TIF to East Lincoln Avenue. This is the least attractive entrance to Goshen, and drew mention in the branding study coordinated by the Chamber of Commerce. Potential TIF projects include abatement of blight, redevelopment along the corridor and improved water flow to East Goshen for fire protection.

- Residential development along the millrace. Plans are complete to improve the adjacent alley into a street. Four developers have expressed interest in development.
- TIF capture for residential development in an area requiring brownfield remediation. With support from Senator Carlin Yoder, this idea has received favorable reception by a committee of the Indiana Legislature.
- Tweak TIF training grant process. Companies have not been requesting them under current format.
- Seek approval to use Major Moves funds for training grants in non-TIF areas.
- Planning/development of infrastructure for Hoogenboom Nofziger land on the south side and Pete Leigl land on the north side.
- Planning for utilization of the former Goshen Theater building. Redevelopment Commission funding was used as local match for a grant from Indiana Landmarks Foundation.

Engineering Department

Goshen City engineers continue outstanding work. Generally speaking, Mary Cripe is responsible for projects above ground and Dustin Sailor takes care of utility projects...water, sewer and stormwater.

- Mary Cripe completed the bike/pedestrian path connection from the Pumpkinvine trail to the northwest city limits on Wilden Avenue. This also completes the connection to the City of Elkhart. Through Mary's efforts, Goshen received state recognition for the best bike/pedestrian project.
- Largely through Mary's efforts, but with great input and support of the Goshen Bicycle Coalition, Goshen received designation as a bronze level "Bicycle Friendly Community."
- Dustin Sailor completed the largest infrastructure improvement in the history of Goshen. A combination of several projects totaling \$35MM completed the Long Term Control Plan to eliminate Combined Sewer Overflows into the Elkhart River. The new CSO retention facility across the river from Chicago Avenue has been drawing interest from cities across the state. Goshen is one of the earliest cities in Indiana to complete the EPA and IDEM mandate to better protect rivers and streams from raw sewage overflows during rain events.
- Meter change program is progressing along with installation of "smart point" meters. Automatic reading system will save the City money. The system will allow quicker notice of customer leaks, saving them money, also. A local Tea Party group objected, saying it is an invasion of privacy. But I believe that concern is mostly quelled.

Engineering upcoming projects

- Completion of a comprehensive assessment of Goshen's municipal water system, prioritizing projects
- Improving water capacity to East Goshen for enhanced fire protection
- Relocating Central Garage to be across Steury Avenue from the Street Department. The current site adjacent to Goshen's North 5th Street water wells is not ideal. IDEM is concerned about potential contamination of the wells from Central Garage functions.
- Overpass for the south link road, Waterford Mills Parkway, will be constructed in 2013.
- US33 Madison Street options are still being evaluated by INDOT.
- Stormwater improvements in the Goshen Industrial Park
- Monroe Street bike pedestrian path

- Jefferson Street reconstruction, possibly with reverse angle parking experiment
- Changes to Main Street
- Air quality improvement federal funding that had been secured for a round-about (Valparaiso mayor calls them “Circles of Harmony”) on College Avenue has been shifted to 9th Street corridor bike/pedestrian path.
- The standpipe at the water plant is drawing complaints about its appearance. Stripping lead paint and repainting would be \$200,000. Because of high steel content and high scrap value, teardown is estimated at \$5,000 to \$10,000. I’ve asked for input from the Goshen Historical Society. If anyone wants it preserved, outside funding will be needed.

Miscellaneous

- City website was revamped.
- City newsletter was improved. “MapleCityNow” replaces “Maple City Rag.” Mailed version continues in black/white. But there is full color version on the City’s website.
- Two part-time employees were added to code compliance staff. This is now under the direction of the Police Department.
- Downtown and First Friday’s continue to thrive.

Housing Authority response

Public response to the crisis at the Goshen Housing Authority has been gratifying. For those who are not familiar with the story, it was determined that \$571,050 that was supposed to be in reserve for housing assistance had been spent in other ways. Where it all went is currently being audited, and there is a state police investigation ongoing. In a nutshell, former board members were not being given correct financial information. Current board members have dismissed all staff and merged operations with the Warsaw Housing Authority. The misappropriated funds either needed to be replaced, or the program would be significantly downsized and possibly cease to exist in a few years. In order to keep the program viable, allowing income-qualifying residents to pay only 30% of their income to rent and utilities, the following donations have been made:

- \$28,000 from Goshen College
- \$20,000 from IU Goshen Health System
- \$10,000 from Everence Financial
- \$ 5,000 from Oaklawn
- Nearly \$30,000 has come from churches, businesses and individuals

Greencroft is not on this list because in the past three years, they have donated \$110,000, which we will use toward the purchase of our next ambulance replacement.

If you or your company has not yet donated, and you would like to, the City is still accepting checks. Donations are tax deductible and should be made payable to the City of Goshen with a notation that it is for the Housing Authority. But please do not make these donations in lieu of other giving that would otherwise go to local not-for-profits. The City Council has agreed that whatever portion of the \$571,050 is not received in community donations will be supplemented from the City’s Rainy Day Fund.

This issue reminds me of the community branding project that was spearheaded by the Chamber of Commerce. The City of Goshen was one of a number of chamber-member sponsors. I can’t say a lot about it here, or the branding committee will have to shoot me. You will be hearing more about it in the

near future. I will only say here that, as part of the process, opinions were gathered about Goshen, both from residents and outsiders. They were very favorable. To be sure, there were some concerns noted, but by and large, a nice picture was revealed. Quite a bit was mentioned about how our community cares for itself, and how residents look out for one another. I think this was reflected in the response to the Housing Authority issue.

There are times when some say “compassionate conservative” is an oxymoron. But, when I saw some recognizable conservatives speak at the City Council meetings in favor of continuing the housing assistance program, and when I see names on the list of donors who I know to be generally conservative, I see “compassionate conservatism” personified. I’m glad we have many in Goshen.

Close

That’s my story for 2012.

While we have challenges ahead, we’re coping well. Your city employees are doing great work to maintain a healthy, vibrant community, offering a quality of life pleasing to current residents and inviting to future residents and businesses.

We don’t just cross our fingers and hope for the best. We look calm on the surface, but paddle like heck to keep your city afloat.