

## State of the City 2014

### Finance and budget

I mentioned last year here that 2013 would probably be the first year where we spend more money than we take in and we would need to use some operating balance. Our property tax loss due to tax caps imposed by the state has grown from zero in 2008 to \$3.5 million last year. This is from a total property tax levy of \$15.4 million, which is the maximum amount of property taxes approved by the State of Indiana for Goshen to collect, presuming there was no reduction due to tax caps. \$15.4 million is modest in comparison to other similar size, even some smaller, cities. Our cumulative loss to date is a little over \$10 million. Next year's estimated reduction is another \$4 million. To give it perspective, our property tax collection in 2013 was less than it was eight years earlier in 2005. It is a significant challenge. But we've coped....so far.

Each year you hear me focus on what I refer to as "the big three" funds. These are the General Fund, MVH or Street Department Fund, and the Parks and Recreation Fund. These three are where almost all personnel costs are incurred and are the three that require closest scrutiny. At this time last year, I was predicting we would spend about \$550,000 more than our revenue. This was based on three factors: (1) spending 95% of the annual budget; (2) receiving 97% of net collectable property taxes (\$15 million less \$4 million lost to tax caps); and (3) all other revenue estimates being on target. As it turned out, we spent 97% of budget, received a bit over 100% of collectable property tax levy including delinquencies, and other miscellaneous revenues were about 2.3% above estimate. Net result is that we spent about \$400,000 more than our revenue for the year. City Council had approved moving \$500,000 from our Rainy Day Fund to maintain healthy operating balances in the main three funds. Fortunately, we still have some good cash balances to sustain us through rougher patches ahead.

When thinking about this year's budget, I was concerned about the City Council feeling a need to cut spending to be within anticipated revenue, and not being willing to use additional cash reserves. This would require cutting services somewhere. I asked the Chamber of Commerce to convene a task force to examine the City's budget and the services we offer. I asked that, if we need to cut services, where would the task force recommend we cut them? What are basic and can't be cut, and what are discretionary and can be reduced or eliminated. What additional efficiencies can be gained? Or should we seek additional revenues?

The Chamber assembled a group of about 20 people, mostly Chamber members, but also some residents from the wider public. Three council members attended the meetings. We met for a

series of Thursday evenings, two hours each meeting. I laid out our budget and explained what changes had been made to cope with mounting property tax reductions. Using information from the Department of Local Government Finance, I benchmarked with other cities are spending per capita and our property taxes per capita. Department heads described their services, what efficiencies they've improved and compared their department sizes with other cities of similar size.

The Chamber came back with a letter saying the City has done a good job of seeking efficiencies. They suggested we keep looking for more, but also stated that we don't have a spending problem, we have a revenue problem. Further, they don't want to give up any services being delivered, and prefer that we maintain a city that attracts new businesses and residents. To be able to continue services, they suggested that it would be appropriate to seek added revenue, and made some suggestions as to what types to pursue, one of which was a local option 1% food and beverage tax, which the legislature has allowed cities in Central Indiana to adopt, but not elsewhere. With these recommendations from the Chamber task force, our budget process went much smoother. City Council was agreeable to use additional Rainy Day funds and voted to ask the State for a local option food and beverage tax. We were one of seven cities on a common bill asking for this local option this year, but unfortunately, the bill was not brought to a vote. My prediction for 2014, again based on the same estimates of 95% budget spent, 97% property tax collection and other revenues being on target, is that we will again spend about \$400,000 more than revenue. Fortunately, operating balances, including our Rainy Day Fund ended 2013 at \$7.3 million.

### **Projects last year**

Last year saw some significant improvements. The Jefferson Street reconstruction beside the Chamber of Commerce is a great addition to downtown. The Goshen Rotary Club made a \$44,000 donation to purchase nature scape equipment for the new park just north of the SR15 overpass. The addition of Fidler Pond and development there has been popular with residents. Plans for development along the millrace continued. Our Brownfields Coordinator, Becky Herschberger, was recognized nationally in a brownfields magazine for her excellent work along the millrace and the 9<sup>th</sup> Street industrial corridor. Our engineering department received statewide awards for some of their projects. The City purchased a building across from the Street Department on Steury Avenue, added to it and moved our Central Garage.

### **Current and future projects**

There were other projects, but all pale in comparison to what is planned for the next several years. Ground is anticipated to be broken this year for townhouses built by David Matthews and a co-housing, cottage style housing development by Richard Miller. LaCasa will be starting on the conversion of the former Hawks Furniture building into artist loft live/work spaces. DJ Construction is their general contractor.

There are a couple easels in the room with maps depicting projects slated for the next few years. You will see enough traffic improvement projects on the south side of town that will convince you...if you don't have to go there early morning or mid-to late afternoon....don't. Whoever the next mayor is will be overseeing a lot of projects...assuming, of course, that we can pay for them. We are in the process of creating a five year capital plan to figure out what can realistically be accomplished.

The "elephant in the room" project will be the US 33 improvement. It is slated to break ground in 2016. The official public hearing to discuss this project is this evening, 6:00 at the Goshen High School auditorium. You are all encouraged to attend and give words of support for the project. Doors open at 5:30.

### **Positive vibes**

Two days ago, I was invited by the Indiana Association of Cities and Towns to participate on a panel at a workshop in Carmel, Indiana. The session was titled "Success Stories – How Indiana Cities and Towns are Addressing Quality of Life". I was invited because staff at the Association of Cities and Towns is hearing Goshen's name mentioned when people are talking about cool things happening in cities around the state. It's pretty rewarding to hear that and I was pleased to talk about the good things happening here. The first speaker was Drew Klacick, Senior Policy Analyst at Indiana University's Public Policy Institute. In his presentation about why Quality of Place, or Place Making, is important, he mentioned hearing about good things happening in Goshen! Knowing that people downstate are hearing about us in good ways is an affirmation that we're doing some things right. At the end of his remarks, he said he was going to stick around to hear what the guy from Goshen has to say. That made me more than a bit nervous. After his session, Drew and I talked and he said he's interested in coming up and seeing things for himself. Dave Daugherty and I will see if we can get him to do a presentation while he's here.

### **Threats**

I have said in the past that everything we do is predicated on having good financial underpinnings. And this is where the threat lies. While our department heads have coped well with resources available, and have maintained services, our biggest threat is the State of Indiana. Year after year, cities and towns are in a defensive mode, trying to battle against legislation that is anti-local government. Legislators and administrators talk the talk of believing in local government, but bills that they pass don't walk the walk. The State legislature every year is making decisions that should be left to county, city and town councils.

Through the Indiana Association of Cities and Towns, we've worked hard to champion local control. A few years ago, our campaign was called "Hometown Matters." Currently, it is "Trust Local." It is a fact that most people feel better about decisions made closest to them. More voters trust their local governments than they do state or federal government. The further away from them that decisions are made, the less trust they have in them. And they feel better about paying their local taxes than state or federal, because they can see, touch and feel the benefits.

Last week, I spoke in a government class at Manchester College about the role of local government, and was asked why state government seems to be at odds with local government and schools. We're where the rubber meets the road. We directly provide services. Cities are the economic engines for the state. It's baffling when we feel treated as the enemy, when we should be partners. Why is it we're not trusted by the state to make decisions in the best interest of our communities? Why does the state want one-size-fits-all top down management? For a legislature and administration where political makeup would signal smaller government, it seems incongruous.

This year, we were on the defensive against:

- Anti-annexation legislation
- Tax Increment Financing restrictions, and restrictions for using TIF revenue to develop fiber or broadband projects for economic development
- Attacks on rental registration and inspection programs
- Loss of business personal property revenue. "Replace, don't Erase" was our motto.

Each year, it seems like our "victories" are mostly successes in making bad legislation a little less bad.

I appreciate that not only locally, but also across the state, Chambers of Commerce joined local government in advocating replacement state revenue if business personal property taxes are to be eliminated. Eventually, this is an additional \$1 billion loss to local governments and schools. It is NO loss to State government.

## What lies ahead

My hope for the future is that we'll all be motivated to build "Quality of Place" here in Goshen. I get pretty excited when I hear people say "I love Goshen." It's more than a red heart on a t-shirt. It's verbal. When the City partnered with the Chamber, Schools, hospital and others for the community branding initiative in 2011, it was interesting to learn that the company hired was hearing people interviewed saying how much they loved Goshen, and they were hearing it unusually often.

"Place making" isn't for the faint-hearted. All that has happened, and all that is upcoming are parts of a complex puzzle. It's a mix of the mundane...the basics...safe streets, plowed snow, filled potholes... and the glitzy...the amenities...great parks, bike and pedestrian paths, a cool downtown.

On your tables are cards that will get you a discount on Peter Kageyama's book, "For the Love of Cities," at Better World Books in downtown Goshen. While basic services in our cities are important, Kageyama points out these are not the reasons people choose to live in cities. We need to be developing elements that cause people to have an emotional attachment...the things that cause people to say "I love Goshen."

Kageyama also talks about who it is creating the amenities that cause emotional attachment. He refers to them as "co-creators", but says there are far too few of them.)

So who are the "co-creators" in Goshen? It's always dangerous to name some, because not all are mentioned.

People who immediately pop to mind are folks like Dave and Faye Pottinger and Jeremy and Maija Stutsman. Between the two couples, they've done many projects downtown that improve the built environment, or the stage, upon which other "co-creators" can build. Folks like Downtown Goshen director Gina Leichty and Grace Hunsberger, co-creators of First Fridays...and the talented and tireless team they have gathered around them. Eric Kanagy and others involved with Downtown Goshen, Inc. are helping foster new businesses and promoting new ideas like the Chamber's LaunchPad.

It's people like Larry Gautsche and his staff at LaCasa who can dream up and carry out projects like the rehabilitation of the Shoots and Hattle buildings, and the transformation of the Hawks Furniture building into artist loft live/work spaces.

It's people like Jason Samuel and students who make Goshen College the best college radio station in the nation. And people like Steve Martin who went out on a limb to create Ignition Garage. And creative types who are the New World Players and community members like Laurie Lord and others who champion them. And young people taking risks to start new businesses.

It's also people like Kevin Deary and the exceptional staff he's built at the Boys and Girls Club. It's those of you who serve on boards and commissions. Neighborhood association leaders, music educators like Yost, Ellington and Cox who have Goshen's music programs at the top of state competitions.

I could go on. It's important that we support and nurture the "co-creators". Here's why.

None of what we do to elevate Quality of Place in Goshen would be possible without careful stewardship of finances. And I think we all owe a debt of gratitude to City Council members and our City employees for careful management. I include them when thinking of "co-creators." I'd like to pause and recognize those who are present here.

It is because of dedicated City employees, many community volunteers, and partnerships with service clubs, Chamber of Commerce, Goshen Schools, Goshen College and other organizations that Goshen is as good a place as it is. And we must remain focused on all that causes us to love our City.

Whether you're talking about college graduates looking for a first job, older citizens who are deciding where they want to live as they age, or new parents deciding on the right place to raise a family... potential residents can afford to be picky. Their options are growing as more cities and towns adapt to an environment where economic development means so much more than it did 10 years ago. Communities who aren't investing in themselves to create quality places to live are not going to be the thriving communities of the future.

### **Your challenges**

If you're not already among the "co-creators" how can you become one? Or if you're not already supporting others who are the "co-creators" how can you start?

Pick up the card at your place setting. Buy the book and read it. You have until March 31 to save 20% at Better World Books. Develop your love affair with Goshen. Support the arts. Support

downtown Goshen businesses. In addition to your Chamber membership, join Downtown Goshen, Inc. Downtown belongs to us all. It is the first and lasting impression visitors have of us. How a community feels about itself is reflected in its downtown. The impression it leaves can be a determining factor in family and business location decisions.

If you work in Goshen and live elsewhere, consider “coming home” to Goshen. Encourage your employees who live elsewhere to come, also. If you’re not already, become passionate supporters of Goshen Community Schools. It’s a great system. Speak well of your city. Be an ambassador for it.

As community leaders (you in this room), we’re seldom given opportunities to make significant impacts on our community’s legacy. But there is one coming at you soon. It’s the Goshen Theater renovation project. Bill and Toni Johnson will be leading fundraising efforts. It will take broad community support, both public and private. Reach into your, and your business financial resources and support it. There will be naming opportunities for things like the auditorium and the ballroom.

Our collective vision and the actions we take in pursuit of it will have a direct impact on quality of life of our current and future residents. We can’t always reverse decisions of our predecessors. We can’t change our community’s history. We can’t change our geographic location. But we can make our future better by making quality decisions and investing wisely.

Daniel Burnham is famously quoted saying “Make no little plans. They have no magic to stir men’s blood, and probably will not themselves be recognized.”

A worthwhile project will always find means to complete it.

“Twenty years from now, you’ll be more disappointed by the things you didn’t do than by the things you did do.” – Mark Twain

I’ll leave you with three things Drew Klackick, Senior Policy Analyst, IU Public Policy Institute, said this past Tuesday:

- “If we are to invest in our future rather than manage our decline, we must create an environment that plays to our collective strengths and appeals to human capital”
- “If we do nothing, things won’t stay the same.”
- “We must accept our role, but not our limitations.”