

CITY OF GOSHEN

2021 BUDGET LETTER



Photo by Darrin Eichorn

Presented by Mayor Jeremy Stutsman
to the Goshen City Council and residents



BUDGET CALENDAR

July 1, 2020	Mayor communicates budget goals and priorities to department heads
July 14–31, 2020	Internal meetings with departments to discuss plans
August 4, 2020	Final draft is prepared by the Clerk-Treasurer's office
August 11, 2020	Gateway budget forms are updated
September 22, 2020	Mayor's budget letter is sent to departments, Common Council
September 29, 2020	Common Council's first reading and public hearing of budget
October 13, 2020	Common Council's second reading and adoption of budget ordinance
December 31, 2020	Deadline for Department of Local Government Finance to provide 1782 Notice confirming the City's budget

DEFINITIONS

Appropriation:	An appropriation is simply “permission to spend the City’s money.” The Council gives this permission by approving the Mayor’s budget. Appropriations are made for fixed amounts and are typically approved for the entire fiscal year unless otherwise amended by the Council with an additional appropriation ordinance.
Circuit Breaker:	In 2010 the state government instituted tax caps that are often called circuit breakers. These limit the amount that certain properties pay in taxes (homestead properties only pay up to 1%, rental homes and agriculture only pay up to 2%, all others pay up to 3%).
Fund:	An independent fiscal and accounting entity with a self-balancing set of accounts for the purpose of carrying on specific activities or attaining certain objectives.
Levy:	A levy is the tax payments that the City receives from the County that are collected based on property taxes. The City rarely receives the full levy due to “circuit breakers.”
Net Assessed Value:	The Net Assessed Value (NAV) is property value (less deductions) used to calculate a property owner’s taxes. This amount is important for the budget because it is directly used to calculate the amount of the City’s tax levy. When the NAV increases, then the City’s property tax levy almost always increases.
Encumbrance	The City can commit to an expenditure through a contract, invoice or purchase order, which can become an encumbrance to be paid in the next fiscal year.

The five categories for the City’s Appropriations:

- Personal services: Salaries and benefits
- Supplies: Projects and tools necessary to accomplish the City’s work
- Services and Charges: Fees for activities necessary to accomplish the City’s work
- Capital Outlays: Purchases of assets for the City, typically over \$5,000
- Debt services: Payment of principal and interest of a debt instrument

WHERE WE ARE

Over the last 13 years Goshen has seen its ups and downs. In 2008 we experienced the Great Recession, which affected the City's budget and recovery for a number of years. After this recession it took over a decade for our assessed value to fully recover. During 2010 tax caps were implemented by the State, which to date has removed over \$35 million from our City budget. During this time the City had cash reserves that allowed us to continue moving forward and continue offering the services our community has come to expect. We were fortunate to be prepared for something we did not know was coming.

In 2018 we experienced the worst flood on record. This natural disaster cut our town in half, closed four out of five of our river crossings, caused mass evacuations from flooded areas of those in danger, left residents without electric and no heat. This event also caused an extreme amount of overtime and stress on the City staff among others in our community. We came together to help others. We were again prepared because we had rebuilt our cash balances that were utilized during the Great Recession and we were able to cover the extra costs that were caused by another unknown.

One year later, our community faced the coldest winter on record. Wind chills as low as minus 50 degrees placed our most vulnerable residents in a life-and-death situation. This closed our City, schools and many businesses. Our City staff was ordered to stay inside unless there were emergency situations they needed to attend to and we limited them to 15-minute rotations to keep them out of harm's way. This caused significant issues within our community and to our infrastructure. As in our past, we were prepared to deal with the issues that arose and were able to cover our costs. We were prepared for yet another unknown.



2020 has proven to be one of the biggest unexpected events that we as elected officials and as a community have had to find our way through. We are hearing property tax collection will be down and our funds that receive income taxes will be heavily affected in 2021. We may not have guessed that this is what we have been preparing for but here we are again. We are ready to continue serving this community. We have the cash balances and we have made the hard decisions this year to help protect the 2020 budget; we will be spending far less than we had planned to spend when we developed the 2020 budget. These real-time budget adjustments that my administration has made this year will help to lessen the losses we will see next year. By adjusting to what we were seeing we have also helped to minimize the need for reduction to our cash balances now and in the future.

We are well-prepared and ready to rebuild from the negative effects of COVID-19, the effects of the Governor's well-advised shutdown of our State, and to cover the additional expenses this virus has brought us.

ADJUSTMENTS IN 2020

March 12th was the first community event canceled due to COVID-19. The Mayors, County Commissioners and Health Officials of Elkhart County quickly convened meetings to discuss what was coming our way and what needed to happen to help keep our communities safe. These became weekly meetings supplemented by a number of other COVID-19 related meetings. We watched other cities, states and countries continuing to shut their economies down in an effort to separate the people to help slow the spread of this unknown virus.

In late March I created Goshen's COVID-19 Task Force which met twice a week for a couple of months. As we started to get our heads wrapped around what was happening we shifted these meetings to once a week. In early April as I was sitting home with my wife and kids celebrating my birthday, no other family could join because we were all being cautious with the spread of COVID-19. I realized this would not end soon and Goshen needed to make some changes.

This was when I met with Department Heads and placed a freeze on buying any of the large equipment that we had planned to purchase in 2020, (except for orders already placed). We pulled back on adding any new projects that we couldn't justify as essential.

The 2020 budget was developed and passed with the understanding that we were planning on spending down some of the built cash balances. This was going to be a big year for Goshen. Assuming we can stay on our current spending trajectory, by the end of 2020 we should have protected all our cash reserves and possibly even returned some of the tax dollars we received in 2020. In essence, we took a funded budget and turned it into a balanced budget.

This was done to help prepare for budget short falls that were at the time viewed as possible but not certain. We then learned from the state that we should expect potential losses to the 2020 budget in the amounts of \$3 million to \$5 million and 15% of all income tax-based funds in 2021, (i.e.: Public Safety Local Option Income Tax and Economic Development Tax Fund are two of Goshen's largest Income Tax Funds).

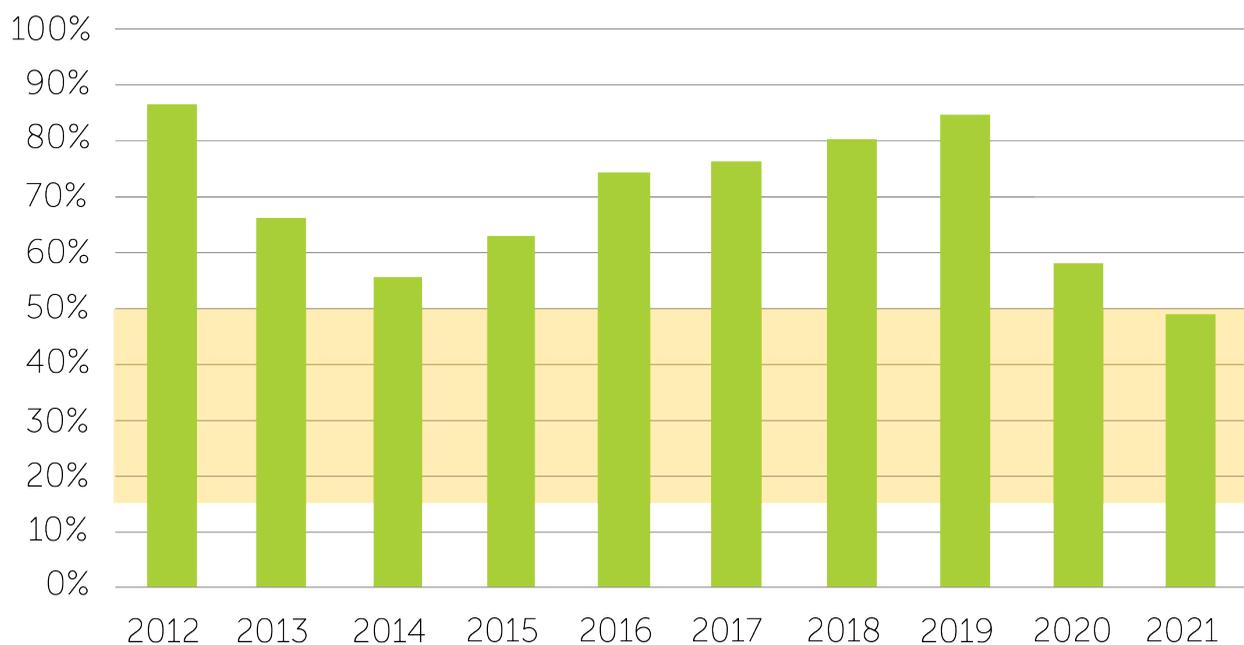
The expected loss for the 2020 budget is from expected low payments of property taxes this fall. While this is of concern to us it does not set us up for any disaster. We have the cash balances to cover any loss. In addition, this debt doesn't go away; these taxes will need to be paid eventually so this loss will come back to our budgets. The remainder of the loss for 2020 is happening in the Income Tax lines but are not expected to be overly significant because of the timing of the collection and distributions of these monies.

During our budget talks in 2019 for the 2020 budget, the council discussed changes to the Mayor's salary as well as a discussion of other salaries. We had decided to have a salary study done in early 2020. Near the end of 2019 I reached out to Baker Tilly to talk about having this very study completed. In February 2020 we started talking about specifics and getting started so this information would be available for the 2021 budget talks. This was one of the projects that was delayed until we knew more about our financial situation and COVID-19. This study will begin in the next couple of months but will not be available for discussion at this time.

2021 BUDGET

When we look at all of our budgeted funds and their cash balances you will notice that we ended 2019 with almost 90% cash reserves. After all the numbers were in we realized a cash balance of almost 11 months' worth of savings. The State of Indiana and our financial advisors have suggested cities work to have cash balances of between two and six months or 15%-50% of your yearly budget. This is the best the largest amount of cash reserves the City has ever accumulated. This was done very purposefully; it was done so we are ready to respond to the next economic downturn or natural disaster.

CASH RESERVES AS PERCENTAGE OF ANNUAL BUDGET



The area highlighted in yellow, between 15% and 50%, is the recommended operating balance. The amounts for 2020 and 2021 are projected.

Our 2020 budget was designed to use some of these additional funds. The last couple of years I have let the council and community know that it is my plan to keep these funds in the five to six-month range (40%-50%). This places us in a good position for bonding needs, protecting our City staff, and is higher than what we had during the Great Recession. The 2020 Budget, if spent in its entirety, would have left us with eight months (70%) reserves. This has been protected and will in reality be more than 70%.

The proposed 2021 budget was designed to utilize both our 2021 income and spend more of our cash balances. Assuming 100% expenditure of the 2020 budget and 100% expenditure of the proposed 2021 budget we should still have a healthy cash reserve of 7 months (60%).

2021 BUDGET

There are planned equipment purchases and additional projects that we would like to move forward with in 2021. The Department Heads and I will remain committed to spending in a fiscally smart way. Our number one goal is to serve this community with fiscal responsibility to the tax payers. We will treat the 2021 budget the same as the 2020 budget. We will be watching our financial installments from the State as they come in and adjusting if the losses are more than expected. By budgeting as if it is a normal year we are ready to move forward. IF it is worse than expected we can make the appropriate alterations to the expenditures to ensure we are protecting monies that may be needed to continue covering short falls.

We have taken a cautious approach to the development of this budget in both purchases and infrastructure expenditures. In addition, the suggested cost-of-living increase for 2021 to all City staff is 1%. We have a history of having 3-year contracts with the unions and we are continuing that tradition by suggesting a 1% cost-of-living increase for 2021, and for 2022 and 2023 we have a wage opener clause. If losses aren't what was estimated we can appropriately adjust in the following years.

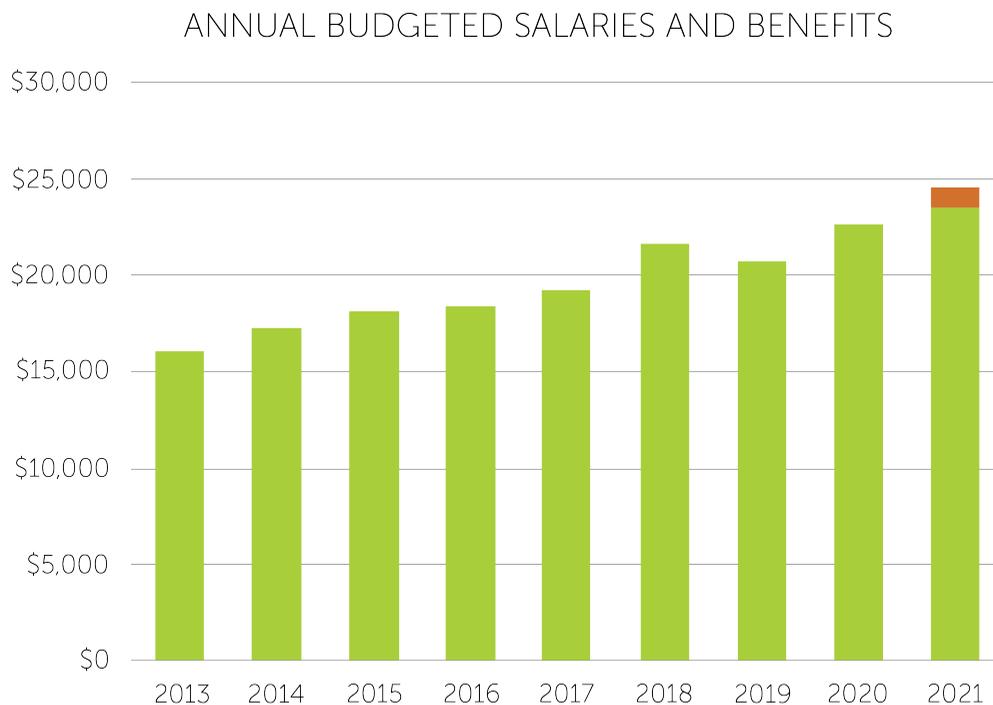
Our employees are among our greatest resources. Offering only 1% was not anywhere near ideal. I would rather adjust and give larger increases in the future if appropriate, rather than having to let employees go because we went too high and need to find ways to balance a budget. Cutting staff is my administrations last resort. I believe this approach protects us from needing to even think about whether those shortfalls are larger than expected.

Within the last week the City has received updated information that the losses could be less than expected. The new data in front of us has brought us to a better understanding of what is to come. This has allowed the cost-of-living increase offer to be increased to 2%. Again, if this is wrong we can work to fix in future years again without putting us in a position to have to think about staff reductions. This is reflected in our staff expenditure lines.

You will also see some significant increase in the salary lines on top of the 2% cost-of-living increase. Goshen Civil City and Goshen Utilities have many employees that are paid through split salaries. Elected officials among many other City employees work for both entities. These employees receive checks from both Civil City and Utilities. Clerk Treasurer Scharf presented an idea that will make for a more efficient and less time-consuming way of accomplishing this very split.

2021 BUDGET

Employee lines have been raised by \$1 million throughout the Civil City Departments. While this is an increase to our budget it is also offset increasing the payment from Utilities to Civil City by the same amount. This will appear as a large increase to salaries but in reality, it reflects the exact same costs that have been coming from both entities.



The area in orange shows the increase in salaries in 2021. The amount will be reimbursed from Utilities. The City will not lose money over this arrangement.

The CRC budget reflects the new part-time position the council created this year and will also not increase the overall budget for this department. This was the commitment made when the council agreed to add the position.

The newly created stormwater position is also represented in the budget lines for the stormwater department. And this is also true for the new grants' administrator in the Clerk Treasurer's office.

The Environmental Resilience Department is the only department to which we are adding a new employee to for 2021. Department Head Aaron Kingsley also serves as our City Forester. The reality of the demands of both jobs has proven there is more work than one person can handle. Keeping up with our City Forestry Program is essential to the work of our new department. This budget includes a new position to assist with our forestry and street tree needs. This position has been funded by shifting current budgeted money around. The 2021 budget will only reflect around a \$20,000 increase from the 2020 budget.

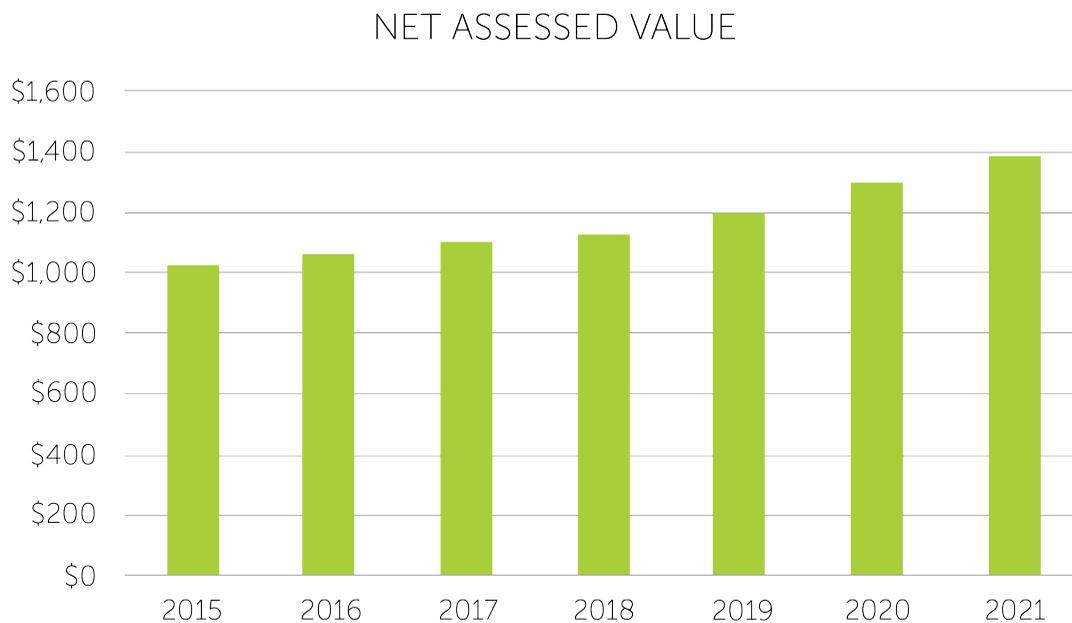
THE BIG PICTURE

Goshen is continuing to grow. In early 2019 we saw \$133 million commercial and residential building permits. Even with companies and residents pulling back during COVID we have had \$64.9 million of commercial and residential building permits. Commercial building permits are coming back strong as the RV Industry is turning out to have one of its best years ever. The City has been in preliminary discussions with companies that are looking to build projects in 2021. These discussions have led us to believe 2021 will be another big year for development.

Goshen's net assessed value (NAV) continues to climb. The 2021 NAV is expected to be 6.67% higher than in 2020. This will help to further reduce the losses to our general tax fund (property taxes). The loss for 2021 is looking to be around \$2.69 million. This amount continues to decrease as our NAV increases and is becoming more predictable each year.

As our NAV continues to rise we will also see positive effects to our tax rate. Looking at our numbers for 2021 we can expect to see our tax rate decrease to approximately \$1.4668 from 2020 rate of \$1.5043.

Goshen's property tax level growth will help us to realize over \$700,000 of new revenue. A little over half of this amount will fund the 2% cost-of-living increase to the City staff for 2021.



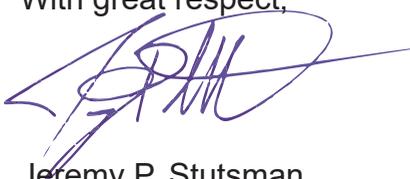
The NAV amounts are in millions of dollars

THE BIG PICTURE

As we look forward my administration will work to keep up with the needs of our departments and our community. We will continue to find ways to maintain our infrastructure, utilities and parks within our allotted budgets. We will watch the tax dollars to ensure they are not being wasted. And with the help of the new position in my office, the soon-to-be-hired Community Relations Director will help us continue our work to ensure Goshen is a prosperous community that thrives on its diversity and works toward equality so that we continue to build a safe and inclusive community for all.

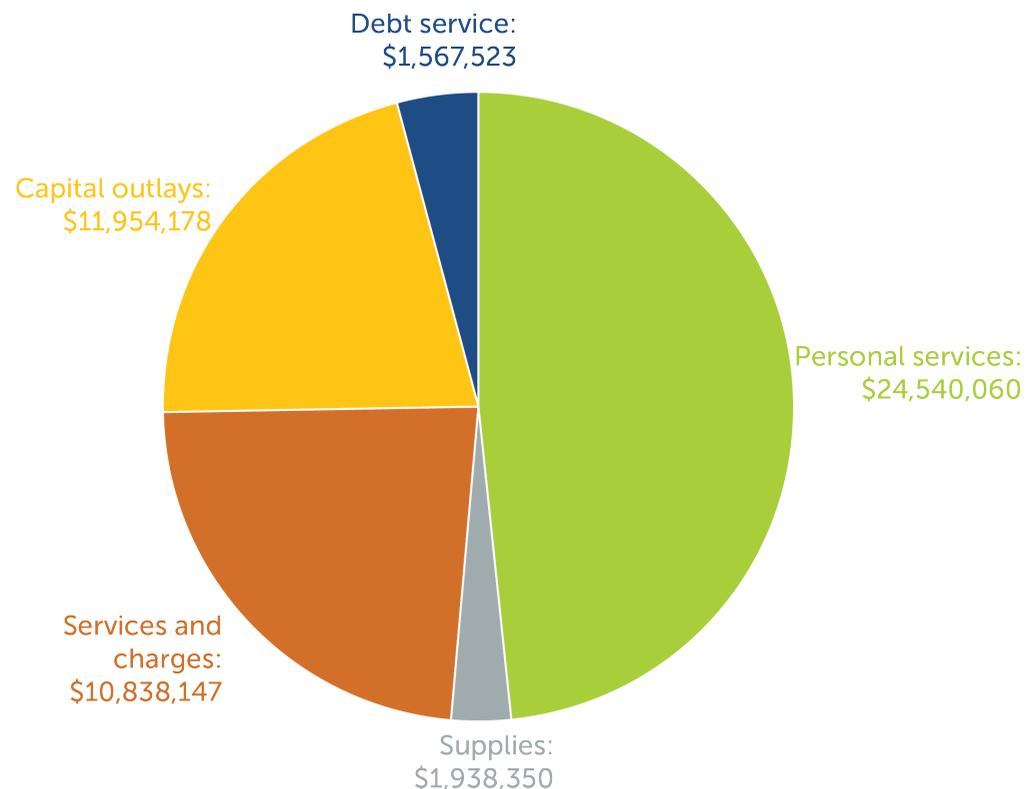
It is an honor to serve along side Goshen's elected officials. Clerk Treasurer Scharf and First Deputy Weaver have been great to work with on both the budgeting process and throughout the year. There cannot be enough said about the dedication of the City Staff and Department Heads. This group is always working to make Goshen a better and stronger community.

With great respect,



Jeremy P. Stutsman

TOTAL BUDGETED APPROPRIATIONS BY CATEGORY



THE BIG PICTURE

ALLOCATION OF PROJECTED RECEIPTS

