

CITY OF LOGANSPORT

Budget Basics 101

September 28, 2016



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Budget Basics

- Department of Local Gov't Finance (“DLGF”)
 - Annually reviews and approves tax rates, tax levies and budgets for every political subdivision in the State
 - Budget can be approved as long as there is \$1 left in the fund at the end of the year
 - Balanced Budget vs. Approved Budget
- Maximum Levy
 - Max amount of property tax dollars raised (levied)
 - Growth based on State-wide factor (2017 = 3.8%)
- Net Assessed Value (“NAV”)
 - Tax base (annually adjusted)
- Circuit Breaker – Discussion later

Property Tax Levy

Logansport 2016

Net Assessed Value	\$366,294,280
Divide by \$100	<u>100</u>
Subtotal	\$3,662,942
Multiplied by Certified Tax Rate	<u>\$2.6279</u>
Total Property Tax Levy	<u><u>\$9,625,847</u></u>

What Is the Levy Used For?

- Public Safety
 - Fire
 - Police
- Roadways and Sidewalks
- Economic Development
- Park and Trail Systems
- Cemetery
- Government Operations
- Trash



Summarized - To Operate the City, Provide Essential Services and Quality of Life Enhancements

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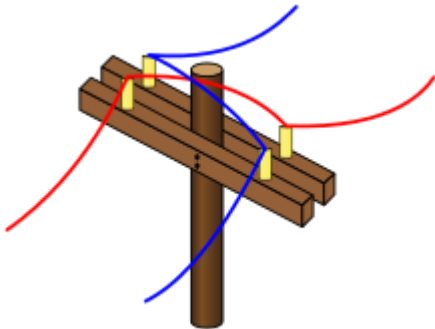
Other Sources of Revenue

- Income Tax
 - County Adjusted Gross Income Tax (“CAGIT”)
 - County Economic Development Income Tax (“CEDIT”)
 - Property Tax Replacement (“PTRC”)
 - Public Safety Local Option Income Tax (“P.S. LOIT”)
 - All becomes Local Income Tax (“LIT”) in 2017
- State/County Distributions
 - Alcohol and Cigarette Taxes
 - Auto, Commercial Vehicle, FIT
 - Fire & Police Pensions
 - Riverboat
 - MVH & LRS Distributions



Other Sources of Revenue

- Local Revenues
 - Fines, Fees & Permits
 - Utility Rates
 - Charges for Services
 - Pool / Golf
 - Landfill Tipping Fees



Logansport's Funding Mix

- General Fund Example
 - Accounts for approximately 65% of City expenses (non Utility)

	<u>2015 Actual</u>
Property Taxes (net of C.B.)	64%
Income Taxes	21%
State/County Distributions	8%
Local Revenues	7%
Total	<u>100%</u>

Logansport's Situation

- Where Have We Been?  Where Are We Now?  Where Are We Going?
- Funds Analyzed (includes all DLGF reported funds)

	<u>% of City Expense*</u>	<u>% of City Cash*</u>
General	65%	20%
MVH/LRS	8%	6%
Park Operating	<1%	<1%
LOIT P.S.	1%	6%
NR Host Community (trash)	0%	9%
Pension Funds (police/fire)	10%	5%
CEDIT	3%	14%
TIF (4 funds)	2%	15%
Other (rainy day, CCI, golf, equip. NR, etc.)	6%	13%
Totals (approx.)	95%	88%

Where Have We Been?

	<u>2014</u> Surplus/(Shortfall)	<u>2015</u> Surplus/(Shortfall)
General	(\$925,000)	(\$1,285,000)
MVH/LRS	35,000	20,000
Park Operating	--	5,000
LOIT P.S.	320,000	170,000
NR Host Community (trash)	510,000	215,000
Golf	(40,000)	(10,000)
Pension Funds (police/fire)	125,000	250,000
CCI	50,000	--
CEDIT	20,000	(265,000)
Totals (approx.)	\$95,000	(\$900,000)

Where Are We Now?

	<u>2016 Budgeted Surplus/(Shortfall)</u>	<u>2016 Projected Ending Fund Balance</u>
General	(\$1,155,000)	\$1,395,000
MVH/LRS	(280,000)	835,000
Park Operating	(55,000)	(15,000)
LOIT P.S.	(200,000)	1,020,000
NR Host Community (trash)	(290,000)	1,690,000
Golf	(115,000)	(15,000)
Pension Funds (police/fire)	(245,000)	940,000
CCI	--	270,000
CEDIT	290,000	2,710,000
Totals (approx.)	(\$2,050,000)	\$8,830,000

Where Are We Going Based On Historical Trends?

	<u>2017 Projected Surplus/(Shortfall)</u>	<u>2018 Projected Surplus/(Shortfall)</u>
General	(\$915,000)	(\$825,000)
MVH/LRS	(90,000)	165,000
Park Operating	(30,000)	(30,000)
LOIT P.S.	(455,000)	(140,000)
NR Host Community (trash)	(290,000)	(290,000)
Golf	(120,000)	(110,000)
Pension Funds (police/fire)	(80,000)	(90,000)
CCI	--	--
CEDIT	280,000	275,000
Totals (approx.)	(\$1,700,000)	(\$1,045,000)

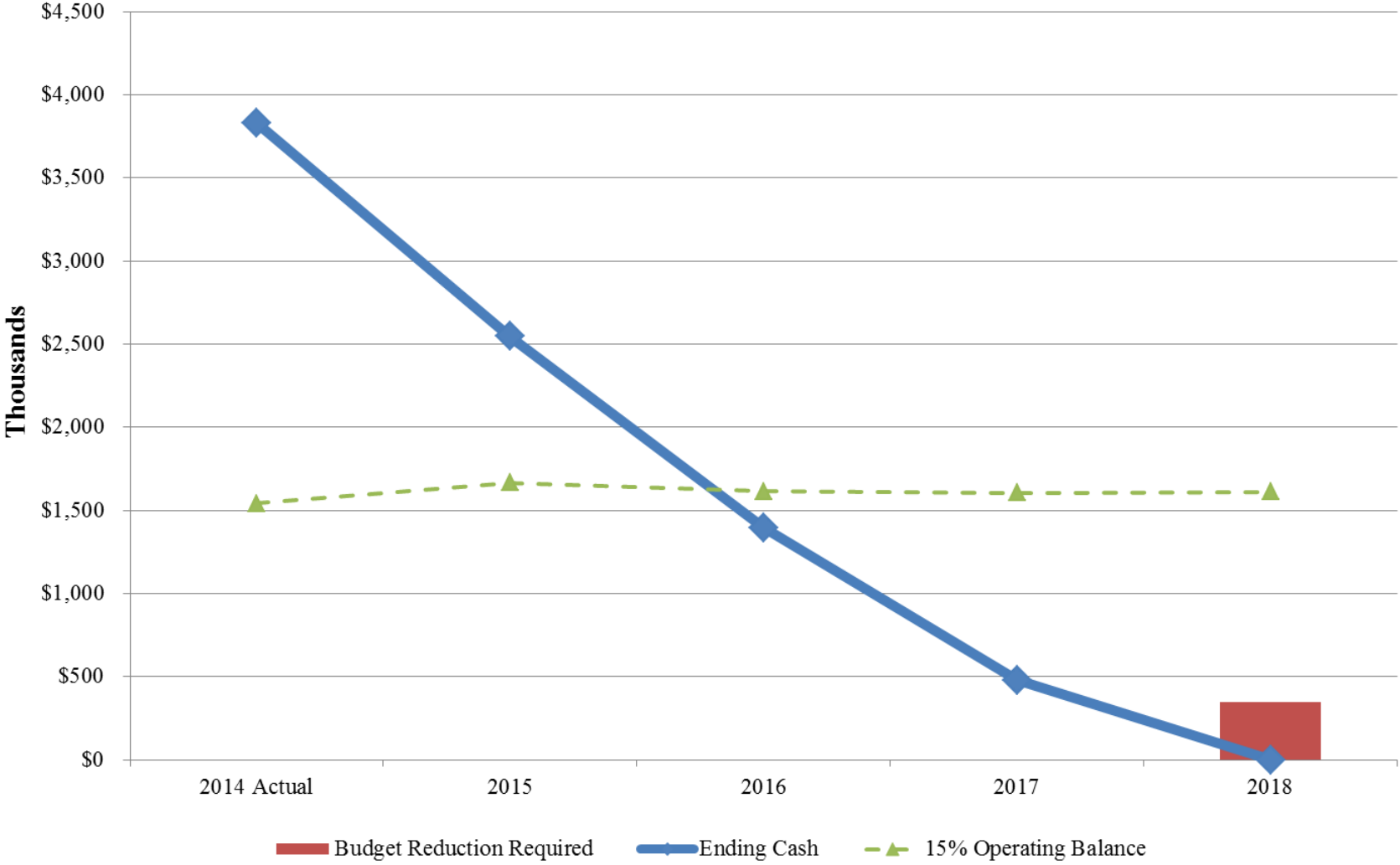
Outlook If Nothing Changes

- Funding Gaps 2016 – 2018 (especially General Fund)
- Reliance on / Depletion of Cash Reserves

	<u>Actual YE 2013</u>	<u>Actual YE 2015</u>	<u>Projected YE 2018</u>
General	\$4,755,000	\$2,545,000	(\$350,000)
MVH/LRS	1,060,000	1,115,000	910,000
Park Operating	35,000	40,000	(80,000)
LOIT P.S.	730,000	1,220,000	430,000
NR Host Community (trash)	1,250,000	1,980,000	1,105,000
Golf	150,000	100,000	(240,000)
Pension Funds (police/fire)	790,000	1,165,000	750,000
CCI	225,000	270,000	270,000
CEDIT	2,670,000	2,420,000	3,275,000

City of Logansport, Indiana

Actual and Projected Ending Cash Balances (2014 - 2018) 100 - General Fund



Large Problem = Circuit Breaker

- **Circuit Breaker Losses**
 - City currently loses over 30% of certified tax levy to circuit breaker (*realize 70 cents on the dollar*)

General Fund Impact

	<u>2008 Actual</u>	<u>2015 Actual</u>	<u>2016 Projected</u>	<u>2018 Projected</u>
C.B. Loss	\$0	(\$2,175,000)	(\$2,660,000)	(\$3,090,000)

What Is Circuit Breaker?

- Limits the total property tax bill to a % of the gross assessed value of the taxpayer's property

Property Type	Circuit Breaker Cap
Residential homesteads	1%
Other residential and agricultural property	2%
Other real and personal property	3%

Logansport C.B. Example

Residential Home Value	<u>\$100,000</u>
Net Assessed Value (after deductions)	\$32,750
Times Tax Rate (per \$100)	\$5.1759
Calculated Tax Bill	<hr/> <u>\$1,695</u> <hr/>
Tax limit @ 1%	\$1,000
Circuit Breaker Tax Credit	\$695

Standard
Homestead
Deduction

Gross
Assessed Value

\$100,000



Standard
Homestead
Deduction

\$45,000



\$55,000

Supplemental
Homestead
Credit

\$55,000



Supplemental
Homestead
Credit – 35%

\$19,250



\$35,750

Mortgage
Exemption

\$35,750



Mortgage
Exemption

\$3,000



Net
Assessed
Value

\$32,750

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Tax Rate Detail

Per \$100 NAV

	<u>Rate</u>	<u>%</u>
County	\$0.7540	14.4%
Township	0.0116	0.2%
School - Logansport	1.6350	31.4%
Library	0.0994	2%
City	2.6279	51%
Airport	0.0480	1%
Total Tax Rate	<u>\$5.1759</u>	<u>100%</u>

- Tax rate increase by other units can negatively impact City revenue (in this together)
- City absorbs approx. 1/2 of circuit breaker loss in this example.

Possible Solutions

What are our options to fix this?



- **Cut Costs**
 - Operational
 - Approx. 65% of City expense is from General Fund
 - Approx. 70% of General Fund costs are personnel driven
 - Capital
 - Typically easier decision than reducing workforce
 - Delaying projects may create larger problems later

Possible Solutions

What are our options to fix this?

- Manage Growth of Costs
 - Operational
 - Succession planning
 - Retirement eligibility review / Fill all positions?
 - Insurance cost sharing
 - Employees pay portion to offset cost increases
 - Accountability
 - Regular actual vs. budget analysis by dept. heads
 - Budget freeze or reduction
 - **Accurate budgeting**



Possible Solutions

What are our options to fix this?

- **Manage Growth of Costs (Cont'd)**
 - Capital
 - Multi-Year City-Wide plan
 - Smoothing of annual cost needs
 - Strategic use of debt
 - » Circuit Breaker impact
 - Ivy Tech bonds pay off 2028

Possible Solutions

What are our options to fix this?

- Better use of already available resources
 - Allocation of max levy (annual local decision)
 - Use of income tax supported funds
 - Available Cash Flow:
 - CEDIT = \$275k per year (slide 11)
 - Available Cash Balances: **Not a Sustainable Solution**
 - CCI (slide 12)
 - LOIT P.S. (slide 12)
 - NR Host Community (slide 12)
 - TIF = \$200k+ per year cash flow / \$2-\$3M in cash

New Outlook

(Cost Cutting / Better Budgeting / Proactive Use of Revenue)




	2017 Projected Surplus/(Shortfall)		
	<u>Original</u>	<u>Current</u>	<u>Change</u>
General	(\$915,000)	\$425,000	\$1,340,000
MVH/LRS	(90,000)	20,000	110,000
Park Operating	(30,000)	(5,000)	25,000
LOIT P.S.	(455,000)	(80,000)	375,000
NR Host Community (trash)	(290,000)	(810,000)	(520,000)
Golf	(120,000)	(70,000)	50,000
Pension Funds (police/fire)	(80,000)	275,000	355,000
CCI	--	--	--
CEDIT	280,000	(175,000)	(455,000)
Totals (approx.)	(\$1,700,000)	(\$420,000)	\$1,280,000

***Still Not Balanced = \$420k shortfall + C.B.
Could Get Worse***

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How Was This Accomplished?

- Budget Cuts
 - Capital
- Cost Shifting
 - Trash (General  NR Host Community)
 - Development incentives (General  CEDIT)
- Better Budgeting
 - Fuel contracts
 - Pension requirements (State reimbursement)
- Levy Reallocation
 - Pension funds  MVH
- Revenue Boosts
 - State estimates higher income tax collections

***Still Not Balanced = \$400k shortfall + C.B.
Could Get Worse***

What Options Are Still Available?

- More cost cutting
 - How much more can be cut before service suffers?
- Generate Additional Revenue
 - Trash Fees
 - Annual Cost = \$900k - \$1M
 - No Circuit Breaker impact
 - Misc. Fines and Fees Increase
 - Pool fees / Golf fees / Permit fees
 - Food & Beverage Tax
 - PILOT
 - Currently \$260,000 per year
 - What can utilities afford? / Rate adjustment needs



What Options Are Still Available?

- Generate Additional Revenue (cont'd)
 - Municipal Wheel Tax
 - Potential Revenue = up to \$500,000+ annually
 - New legislation for City/Town with population Of 10,000+
 - Collected and distributed by BMV
 - No Circuit Breaker impact
 - CCD Fund (Not pursued at this time)
 - Potential Revenue = up to \$135,000 annually (gross)
 - Does have Circuit Breaker impact
- Reduce Circuit Breaker
 - Solution is growth in assessed value
 - What can we do to spur economic development?
 - Quality of life initiatives

Stakeholder Impact

What are the outcomes?

<u>Potential Solution</u>	<u>Impact</u>	<u>Notes</u>
More Budget Cuts	Possible service quality reduction	Cost of Service vs. Benefits Provided
Cost management (freeze or lower budget increases)	Reduces future budgets	General Fund = Every 1% increase = \$100k in cost
Improve max levy mix	None	Moves \$ to funds with greatest need (General)
Optimize LOIT P.S., CEDIT and CCI	None	Move cost to income tax based funds
Trash Fee	\$6 - \$12 per month	Generates \$460k - \$925k in annual revenue to pay for trash
PILOT	Utility rates	Utility rates may need increased to support PILOT increase
Municipal Wheel Tax	Increased cost for registration/plates	Generates \$500k+ in annual revenue for MVH (BMV collected)

Problem still to solve = \$420k +

The Future

Where does Logansport go from here?



- Considerable progress already by revamping the budget process
 - \$1.3M turnaround in projections
- Still have tough decisions ahead
 - Which potential solutions are palatable?
 - Operating costs tend to rise over time
 - Circuit breaker hinders revenues growing proportionately
- Do potential solutions require additional action?
 - Some are locally controlled through normal budget process
 - Max levy allocation
 - Budget freezes or reductions
 - Some require fee increases/public action
 - PILOT / Trash Fee / Wheel Tax

Final Thoughts

- Is it a spending issue or a revenue issue?
 - Circuit Breaker impact (revenue issue) is largest obstacle faced by the City
 - City has worked diligently to cut 2017 budget and avoid fee/tax increases in 2017
- Circuit Breaker impact could get worse if A.V. growth doesn't keep pace or exceed max levy growth quotient
 - 3% - 4% per year
- Continual monitoring and have Plan B, C and D in mind if Circuit Breaker losses increase
 - ***BE PROACTIVE***