SPECIAL SESSION, COMMON COUNCIL, AUGUST 17, 2020

Be it Remembered that the Common Council of the City of Plymouth, Indiana, met in a Special Session on August 17, 2020, for the 2020 Budget Work Session. The meeting was held in the Council Chambers on the second floor of the City Building, 124 N Michigan Street, Plymouth, Indiana. The meeting was called to order at 6:00 p.m. Mayor Senter presided for Council Members Compton, Culp, Ecker, Listenberger, Longanecker, Milner. As allowed by Governor Holcomb's Executive Orders #20-04 and 20-09, Council Member Jeff Houin attended the meeting virtually. City Attorney Surrisi and Clerk-Treasurer Xaver were also present.

Clerk-Treasurer Xaver announced that the Governor's moratorium on the disconnection of unpaid utilities ended on Friday, August 14th. This morning 72 meters were disconnected for non-payment; since that time about half of the bills were paid and service reconnected.

Xaver stated that earlier this year the city entered into an agreement with Baker Tilley Municipal Advisors to help develop a Comprehensive Financial Plan for the City of Plymouth. Baker Tilly has provided this service to the Water and Wastewater Utilities for at least twenty years, and the service has proven to be very valuable as it forecasts cash balances with capital projects. Xaver introduced Eric Walsh, who addressed the mayor and council members.

Walsh noted that the financial plan as presented is considered a baseline plan and includes several items that will not be able to be funded with existing revenue and anticipated revenue shortfalls. The plan provides the city with an opportunity to see where their cash balances will end up, if all of the wished for capital expenses take place. It also provides insight on whether expenses need to be cut or revenues raised to meet the projected goals.

Property tax caps were put into place by the state legislature in 2010. There is a 1% cap on residential property; that means if a residential homestead is valued at $100,000, the most that they will pay in total property taxes to the school, county, city, solid waste district, library and township is $1,000. If that homeowner's tax bill is $1,100; the extra $100 is uncollectable and is considered lost revenue. Property taxes for the city fund the Storm Sewer, Engineering, Building Commission, Law, Mayor, Clerk-Treasurer, Sanitation, Police, Fire, Warehouse, City Properties, City Lights and Animal Control departments within the General Fund as well as the Park, Airport, Street and Cemetery Departments.

Net Assessed Value		Change	Growth Factor	Circuit Breaker % of Levy
2018	$389,966,484	-.47%	3.6%	12.6%
2019	$397,396,525	1.91%	3.4%	17.6%
2020	$395,019,065	-.60%	3.4%	20.2%
2021	not yet determined		4.2%	21% (estimated)

Walsh noted that in 2015, the city's losses from circuit breakers (property tax caps) was $450,000. In 2020 it is expected to be just over $1.4 million.

Walsh noted that due to COVID 19 impacts, the City will see decreased income in the Street Department and Local Road and Street Funds due to decreased fuel sales and lower taxes. He said in 2020, the city will see impacts from Local Income Tax, which is distributed the year after it is received. The Park Department is seeing less revenue from the pool being closed for the year and the Blueberry Festival being cancelled. Interest rates have dropped to near zero, so the city is also seeing lost interest revenue. He noted that revenues will likely not rebound fully until 2023; but the property tax losses will continue to grow.

Property tax caps continue to grow because the city's assessed value growth is not keeping up annually with the state allowed growth quotient. For 2021, the state levy growth quotient is 4.2%. This means that for 2021, the majority of taxing units across the state are allowed to receive 4.2% more in tax levy than they did in 2020. The state maximum levy growth quotient is based on a six year look back period of economic indicators state-wide. If your municipal assessed value stayed flat from one year to the next, everyone's tax bill would have to increase to generate 4.2% more revenue. If assessed values were growing at 4.2%, everyone's tax rate would stay the same to generate the increased 4.2% worth of tax dollars. Over the past several years, the city's AV is growing slower than the state levy growth quotient; this makes tax rates go up. For those people who are already at their max for paying property taxes, the additional tax rate will remain unpaid and is additional property tax cap losses.

Walsh further stated that the property tax rate is applied to the net assessed value of a property. If a homeowner has a house valued at $100,000; but it has the homestead deductions and the mortgage deduction, the property is only being taxed on about $35,000 of assessed value. From 2018 to 2020, the city's AV only increased 0.84%. Because the growth factor was 10.4% during that time, property tax rates increased to make up the difference.

Walsh reviewed several pages in the Comprehensive Financial Plan booklet and explained how the figures carry through the book. Walsh said that they are already aware of additions and deletions that need to be addressed in the book, but it is intended as a starting point. He noted that this is considered a living document, and as projects are completed, added or deleted, it should be brought up to date, ideally in early summer before the budget is created. He said that over the five-year period addressed, there are about $14 million in capital projects. That is a lot higher than it has been in the past. Walsh explained that in 2018 the 12 main funds (excluding water, wastewater and TIF) had a negative cash flow of $420,000, but had a positive cash flow of $615,000 in 2019. That is misleading, because about $1 million was transferred into the General Fund from dormant funds.

He iterated that the three driving forces compounding the negative cash flow are increased capital spending; COVID-19 losses and circuit breaker losses. Additionally, when personal property taxes are abated, the equipment is also depreciating; so by the time the abatements roll off, there isn't much value left to tax. He noted that personal property depreciates much faster than buildings.

Walsh then addressed potential solutions to the cash flow concerns.

- Move storm sewer cost from the General Fund to the Sewage Works / Storm Water Department beginning in 2022. This would save approximately $180,000 / year in property tax
- Move hydrant rental cost from General Fund to customer water bills (approximately $237,000 beginning in 2021.
- Utilize GO bonding capacity up to $2.6 M for large products, this would be a new tax rate, however you will still lose 20 cents on the dollar to property tax cap losses
- Review Perpetual Care Fund spending restrictions
- Utilize Rainy Day Funds to purchase Subway property and fire engine
- Remove CCD spending restrictions of 1/3 airport, 1/3 fire, 1/3 general
- Consider utilization of TIF to fund components of the capital plan

City Attorney Surrisi said that he researched the need for a Cemetery Perpetual Care Fund. State law requires only that private cemeteries have this fund. We have promised current lot owners that we would set aside 30% of their lot costs for perpetual care, so we have to continue to hold those funds. But there is nothing stating that we have to continue to set funds aside from future lot sales. This would generate about $10,000 per year for the cemetery fund to use for operating costs.

Walsh stressed that new fees and taxes are not always popular, but often comes down to having to cut services or employees. Unfortunately, when the state legislature implemented the property tax caps, they passed the burden of offsetting those losses to local government. Their intent was for local government to fund their budgets with property taxes, other local income tax and user fees. They provided options for counties to implement a wheel tax, a public safety tax and an economic development tax. Cities with a population of over 5,000 can implement their own wheel tax. This was brought before the council in 2017, but did not pass. The maximum wheel tax that a municipality can pass is $25.00/year/registration for cars and smaller trucks and $40.00/year/registration for busses, larger trucks and RVs. This would generate about $300,000 per year. These funds are restricted to the Motor Vehicle Fund, but it would relieve some of the stress on the property taxes in the General Fund.

Walsh asked that the administration and department heads get with Clerk-Treasurer Xaver and separate out the wants from the needs; determine addition funding sources or places to cut back the budget so that we can update the proposed plan with those changes.

Walsh noted that the rest of the book consists of actual and projected cash flows and cash flow charts for several of the larger funds of the city. He noted that the top green line is the projected cash flow as the projections stand now; the middle dark green line is the ideal, which has cash flows at 50% operating balance, which means that the fund can last six months without additional revenue. This is important because our major funding is property taxes; and those are received twice a year. The bottom line on the charts represents 15% operating balance, which would be the bare minimum that cash should ever be, but it isn't sustainable. The charts reflect proposed spending with no changes in revenue.

There being no further business to discuss, Councilmen Ecker and Compton moved and seconded to adjourn the meeting. The meeting was declared adjourned at 7:10 p.m.

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Jeanine M. Xaver, IAMC / CMC
Clerk-Treasurer

APPROVED

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Mark Senter, Mayor