

From the Mayor...

October 5, 2018

Last month, I mentioned that the city was in the middle of the budgeting process. Let's take a little closer look at how we develop your final property tax rate. While it would take far more space than I have in this column to provide all of the details of this annual exercise, you can obtain more information about ours and other local budgets on Indiana Gateway, (gateway.ifionline.org) or by contacting my office or the office of the Clerk-Treasurer.

The first step in the process is for the Mayor to formalize the needs of the city by soliciting individual department budgets. In June, our department heads compiled spending requests to meet their staffing needs, provide necessary services, and acquire capital items. After reviewing these figures, the 2019 City Budget was compiled and distributed to the Common Council in July. Approval of the entire budget appropriation is the statutory responsibility of the Council.

Personal services (wages and benefits) are a very significant and critical component of the budget and are subject to increases that typically account for a majority of the total budget increases that occur from year to year. Salaries are statutorily set by the Mayor and Council (police and fire), reviewed by our wage committee, and recommended to the Council. Earlier this week, that committee presented the salary ordinance to the Council for first reading.

The other three sections of the budgets are supplies, services, and capital expenditures. All of those proposed expenditures are carefully examined and subject to Council control during the budget hearings.

Local government budgets in Indiana are supported primarily by property taxes. The "property tax levy" is the amount of property tax revenue that is required to fund the 2019 budget. Miscellaneous revenue received from multiple sources (local income taxes, user fees, grants, donations, and other taxes) will also fund the budget and reduce the amount of property taxes required.

We will also request spending cuts from the department heads for the current year (2018) as well as the proposed budget (2019). The Council also has the authority to cut specific appropriations from the 2019 budget. The impact of these cuts will reduce the final tax rate.

The Clerk-Treasurer's office projects the proposed rate by compiling miscellaneous revenue data, both historical and 2019 projections from the state, while also considering appropriate cash reserve levels.

In summary, the sum of the budget requests and cash reserve requirements minus the miscellaneous revenues yields the property tax levy that must be raised.

The budget must be approved by the end of the month. The Council passed the proposed budget on first reading earlier this week. The final approval will occur at the next Council

meeting on October 15th. Once approved, there can be no increases to the budget. However, the council still has the authority to reduce appropriations up until when the final budget order is approved by the state (typically the end of the year).

As I also mentioned last month, the growth and investment we have experienced in the city is broadening our tax base. While that growth will require additional service levels, it should have a positive impact on the final tax rate for 2019. Stay tuned!