From the Mayor September 4, 2020

The Common Council is in the midst of establishing the city budget for 2021. Most of the members have been through the process multiple times and understand it well. Despite their familiarity, the next few years will present unique challenges as a result of the pandemic.

The revenue required to run our city comes from three primary sources. The majority comes from local property taxes. Local income taxes make up about 28% of revenue, with the remainder coming from fees, use taxes (gas, financial institutions, etc.) and other miscellaneous sources.

The negative financial impact of COVID will limit all of these revenue sources in different ways.

For example, the majority of our local road funding is generated from gasoline tax. The COVID shut down drastically reduced traffic volume that subsequently reduced gasoline sales. The impact was felt this year almost immediately on our street budget. Revenue is projected to be down 15% for 2020. The state is also suspending the Community Crossings matching grant program for local road projects for the remainder of the year as they also face significant shortages of state revenues.

The deadline to pay local property taxes was extended to ease the financial hardships created by COVID. This led to reductions and a delay in revenue distribution. As a result, a 10% reduction of property tax revenue is projected for 2020 and 2021. The loss of property tax revenue as a result of constitutional property tax caps will continue to negatively impact our budget, reducing collections by 5% in 2020.

Local income tax revenue is typically distributed to cities two years after it is collected. As a result, we won’t feel that impact for at least another year. Those revenue impacts could be significant as a result of the high unemployment and reduced payrolls during the pandemic. Reductions of 10% are projected for 2021 and 2022.

Our budget forecasts clearly assume these COVID-related revenue shortfalls through 2022. As a result, we may have to draw on our cash reserves to meet allocated expenses and capital expenditures. With annexation increasing the capacity for municipal services and the challenges created from aging infrastructure, we must explore ways to leverage resources, reexamine outdated inefficient practices by updating policies, and reexamine user fees.

The city will also evaluate bonding capacity and review user fees to meet our future growth challenges. Our current outstanding property tax supported debt is significantly less than the average of peer communities, and that could provide a capital funding option.

Later this Fall, the Council will propose an increase to our stormwater fee. Currently, at $2.95 a month for residential use, the rate is one of the lowest in the state. Unfortunately, it doesn’t come close to meeting the demand for drainage projects in our lake community.

The Council will also look at recommendations presented from a recently completed organizational review, to improve efficiencies and contain costs where possible in order to narrow the gap created by our revenue challenges.

Historically, the planned and purposeful growth of our community has broadened the tax base that reduces the rate for our taxpayers. The current city portion of the tax rate was recently lowered to $1.182. It reduced your current rate by almost 10% which created a rate not seen that low since 2013! Our consultants benchmarked our tax rate against seven similarly sized Hoosier communities, and we were 30% less than their combined average. Growth and planning have benefited our tax rate!

We have worked very hard to keep our property tax rates and user fees some of the lowest in the state. We will continue to budget responsibly to provide the services our taxpayers are accustomed to. However, to meet our community needs and manage expenses from our growth, it will be important to overcome the unique revenue challenges COVID has dealt all of us.