

◆ Council Viewpoint ◆

from Councilwoman Judy Rhodes

Volume 1, Number 2

September 1993

◆ Budget 1994

When is Enough Enough?

On August 30 the Council voted on the 1994 budget. The slogan was austerity. The reality is satiety.

Build Up in 1993

The general fund received the biggest ever boost in tax revenues in 1993. With the help of an excessive levy appeal, the general fund property tax levy increased 38%, bringing in an additional \$800,320. A 64% increase in the trash fee is estimated to give an extra \$204,700. In addition, \$628,334 was rolled over as a cash balance from 1992.

Cushion for 1994

Looking to 1994, we can expect the general fund to benefit from a record rollover of surplus funds from 1993. About \$175,000 is already proposed as cuts to the 1993 general fund to rollover into the 1994 budget. Property tax will increase 5% over this year, adding about another \$133,000. The largest source of revenue for the general fund outside property taxes is the County Option Income Tax (COIT). COIT fell in 1993 but a \$154,000 increase is expected in 1994.

Other Surpluses Build

Other funds will also see substantial income. The Economic Development Fund will have about \$159,000 surplus left from 1993 to be added to the \$700,000 appropriated for 1994. The TIF districts will bring in another \$330,000 plus in property tax in addition to the approximately \$400,000 cash on hand expected by this year's end.

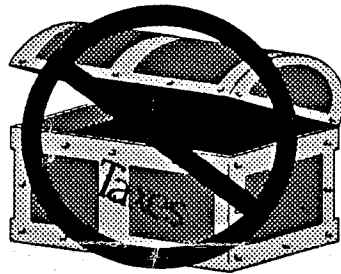
A Growing Concern

Personnel costs account for three-quarters of the general fund budget. The growth in salary alone exceeds the normal annual 5% property tax increase. The rest

of the increases in personnel costs and all operating expenses must be funded by COIT and other revenues, which are expected to show little growth. This is a situation that cannot be sustained.

What comes after this kind of austerity? Look for a sobriety checkpoint in 1995.

Open Container Law Enforced?



A Look At the General Fund

Q: What does it pay for?

o pays for all basic city services such as police, fire, trash, engineering, city hall, city court, clerk-treasurer, etc.

o does not pay for such functions as parks and recreation, street paving and cleaning, sewage.

Q: Where does the money come from?

The top 5 revenue sources for 1993:

- o 52% - local property tax levy
- o 15% - income tax (COIT)
- o 9% - trash fees
- o 6% - license & excise tax
- o 2.7% - court fines & violations

Miscellaneous local and state revenues make up the remainder.

Q: Does the general fund get all of the property tax?

No. It does get the lion's share (68% in 1993). Property tax is also levied for parks and recreation, police and fire pensions, and the cumulative capital development fund.

Q: How big is the general fund?

The 1994 general fund budget estimate is about \$5,647,400. The total City budget is about \$9,924,500.

◆ Off-Budget Blockbuster

Depot Plaza Project

It's not in the budget but the single biggest project for 1994 is already authorized. The City is committed to spend \$1.75 million with a combination of federal highway dollars (\$1.6 million) and cash (\$150,000) on remodeling the old Main Street Bridge for pedestrian and bicycle traffic. The project also includes construction of a sculpture gateway at the bridge entrance. The total Depot Plaza Project will cost about \$5.75 million, with Lafayette paying the remainder.

Who holds the purse strings?

The City Council has no vote in the matter because the funds are under the control of the administration. The federal highway funds have been authorized through the Tippecanoe County Area Plan Commission's Transportation Improvement Program. The cash is reportedly coming from the Redevelopment Commission's TIF funds collected from the Levee/Village district.

Transportation priorities

The City is using two sources of federal highway dollars to pay for the project. One source is Transportation Enhancement funds authorized under the new federal highway funding legislation (ISTEA). Non-vehicular projects such as pedestrian walkways and bike trails are eligible for funding under this program. The City is pledging \$500,000, which is the maximum it could receive in competitive grants for the 6-year life of the program. The other source is the City's Minimum Allocation funds for surface transportation. The City is pledging \$1.1 million of its \$3 million maximum share.

Questions and Answers

◆ Employee Compensation	◆ Sexual Orientation	◆ Trash and Recycling
<p>The single largest item in the City budget is personnel costs. A "4-year agreement" theoretically sets maximum salary increases, uniform allowances, and other benefits. In fact it has the force of an entitlement program. Every year the Council votes on salary ordinances based on the "4-year agreement."</p> <p>Health insurance coverage for employees is set separately by the Board of Works (Mayor, Clerk-Treasurer, City Attorney). There is no discussion of the insurance package and cost options with the Council. The Board of Works contracts for health insurance for a May 1-April 30 policy year and Council doesn't vote until the end of August to set a budget for the coming year, effective January 1. The Council's budget authority is exercised somewhat after the fact.</p> <p>Q: At what public meeting was the "4-year agreement" for city employees voted? None. The Council does not vote on the agreement. The agreement is negotiated by the Council Personnel Committee, the Board of Works, and department representatives. The agreement is signed by all parties in the negotiation.</p> <p>Q: The 4-year agreement sets maximum salary increases. What is the range of salary increases given? All employees always receive the maximum increase. By the current agreement, 4%, 5%, 5%, and 4% increases are set for 1993-1996. The previous 4-year agreement specified 5% increases every year from 1989-1992.</p> <p>Q: What changes would you recommend? Eliminate 4-year compensation agreements. Revenue and expenses forecasts cannot be extended out that far. Require the Council to pass Resolutions supporting any compensation agreements, including salary, health insurance structure, and other benefits. Salary increases should be based on performance.</p>	<p>The Human Relations Commission (HRC) issued a policy on April 27 asserting its jurisdiction over complaints of discrimination based on sexual orientation. The Commission will hear complaints, offer mediation, and sponsor educational activities aimed at eliminating intolerance and prejudice related to sexual orientation. This policy has been reviewed by the Mayor's Ad Hoc Council Committee. On August 24, the committee voted 2-1 (Nelson, Sargeant - yes; Vernon - no) to affirm the actions of the HRC through a Resolution. The Resolution will now be considered by the entire Council.</p> <p>Q: Does the HRC have the authority to set policy on discrimination? Yes, according to the City Attorney's interpretation of the ordinance which establishes the HRC. The ordinance broadly states that the HRC can act whenever it's purpose is "to prevent prejudice, intolerance, bigotry, disorder, and discrimination." The City Council has the authority to amend the ordinance to set limits and procedures for policy making.</p> <p>Q: What kind of education will the HRC undertake on sexual orientation? HRC members have consistently characterized opposition to the policy as being rooted in fear and ignorance. The HRC intends to provide education aimed at helping people overcome what are viewed as limiting perceptions. Plans include forums, lectures and other events to allow people of various sexual orientations to learn about each other, share their feelings, and have an opportunity to develop mutual respect.</p> <p>Q: How will the HRC fund its activities? The HRC does not have a separate budget. Most probably its activities will be funded from the Mayor's public relations budget.</p>	<p>The Council approved a \$52 annual increase in the trash fee (now \$118) in November, 1992 along with promises of improved service and cost cutting measures. Since the fee increase the City has taken two actions: (1) residents were surveyed to assess support for plastics recycling, changing to bi-monthly recycling pick up, among other topics; and (2) A \$90,000 recycling vehicle was purchased.</p> <p>Q: When will any cost cutting and service upgrades be implemented? The City now plans to reorganize trash and recycling routes by the end of September. Recycling will be reduced from weekly to bi-monthly pick up, curbside recycling will be provided to the south end of the City which is presently not served, trash pick up will be shifted from Monday's in order to eliminate holiday conflicts, and brush pick up will be scheduled two days per week rather than the single day which is currently inadequate. Plans for plastic recycling have been put on hold. (Plastics are being picked up with other recyclables but they are being landfilled.)</p> <p>Also of benefit to the budgeting process, two full time sanitation positions that have been carried in the budget since 1990, were eliminated this year. Only one unfilled position will be budgeted for 1994.</p> <p>Q: How much of trash costs are paid for by property tax? In 1992, 30% of the cost of trash and recycling was funded by property tax, and 70% by trash fees and recycling revenues. In 1993 and 1994 the property tax contribution could drop to 20% or less.</p> <p>Additional property tax pays for the costs of past disposal practices, i.e. the Superfund action at the closed Tippecanoe Sanitary Landfill. (See Page 3 for information about the excessive levy for Superfund costs.)</p>

◆ Tax Base Growth

TIF release lowers tax rate

Tax rates for the City are forecast to drop next year by 4.5%, or \$0.12 per \$100 assessed valuation. This is welcome news for taxpayers who paid an increase of nearly \$0.51 per \$100 in 1993. The primary cause of the drop is the addition of about \$3,274,300 in assessed valuation from the University Farm subdivision which had been captured in the KCB (Kalberer/Cumberland/Blackbird) TIF District. For the first time, this increase in assessed valuation will be used to fund basic City services such as police, fire, and street lights. The Redevelopment Commission reversed its previous position that it would continue to capture University Farm property taxes for an indefinite list of projects for the indefinite future. The first project on the list, a neighborhood park, became the last.

What affects the tax rate?

The tax rate is calculated by dividing the total property tax levy by the assessed valuation of the City. If the assessed valuation grows more than the levy grows, the tax rate goes down. The assessed valuation of the City is estimated to have increased a record \$5,372,680 over the previous year to reach \$153,503,010.

The tax rate of the City was pushed to a record high this year because of two pressures. (1) The assessed valuation fell because of inadequate growth outside the TIF districts to cover normal fluctuations in the tax base, and the capture of assessed valuation that had previously been credited to the tax base. (2) An excessive levy appeal allowed the property tax levy to increase.

Trends in the Tax Base

There are two kinds of assessed valuation: real estate and personal property. Most of the City's assessed valuation is in real estate, about 72% in 1993. For the past several years, the net growth in real estate has been stalled because virtually all new construction was captured by TIF districts. Apart from the addition of University Farm to the tax base, there was virtually no net growth in real estate assessed valuation for 1993.

Personal property assessed valuation grew nearly \$2.1 million. This growth signals continuing diversification of the City's tax base which has been a goal of development efforts. Personal property includes business inventories and equipment, as well as such items as RV's, and snowmobiles. Personal property tends to be much more volatile than real estate assessed valuation.

**The Excessive Levy —
Relief from Property Tax Controls**

The City can appeal to the State Board of Tax commissioners for an *excessive levy* to collect more property tax revenue than is allowable under tax controls. The total amount of property tax collected to fund the general fund, police and fire pensions, and parks and recreation cannot normally exceed 5% above what was collected the previous year. The excessive levy allows the City some flexibility and local control to meet demands on the City government that are outside normal operating circumstances. The City must claim that a function or responsibility cannot be performed unless it is allowed to raise additional property taxes. Among the grounds for an appeal are increased costs due to annexation, population growth of 10% or more, pension increases of 10% or more, and expenses of Superfund clean ups. (Superfund is a federally mandated program to deal with hazardous waste sites.) The City obtained an excessive levy in 1991 (\$207,637) and also in 1993 (\$403,530) for these reasons.

How long does an excessive levy last? An excessive levy is forever. The excessive levy grants the City the right to collect a specific amount of extra property tax dollars. The extra dollars become part of the base upon which the next year's levy is calculated. For example, the City's appeal in 1993 included funds for an additional firefighter and uniform allowance (\$29,828). That position was not filled in 1993 and has been eliminated from the budget for 1994. The City will go on to collect 105% more property tax revenue for these items or \$31,319, in 1994. In 1995, these items will be worth \$32,885. And so on.

What kind of evidence must be presented to justify an excessive levy? A statement from the Mayor, a supporting Council Resolution, and a petition signed by a majority of the Council is required. The hearing before the Board is open to the public, and statements may be submitted. The State Board of Tax Commissioners does not ask to examine the City accounts for previous years nor require any other financial evidence. The 1993 appeal in fact included requests to fund items which had shown decreasing or flat expenditure profiles over several years.

Does the City have to report to the State on the use of its excessive levy? No. Once granted, the excessive levy can be used for any purpose within the same fund, e.g. the general fund, parks and recreation fund etc. Flexibility and accountability remain at the local government level. The excessive levy is initially granted to specific accounts in a department. These monies can be transferred between accounts within the same department with Council approval. Surplus funds from one year can be used for any purpose within the same fund in the following year.

Can the same item be used more than once to justify an excessive levy? Maybe so. In 1993 the Council approved (Rhodes and Vernon, opposed) a \$615,530 excessive levy Resolution that included \$150,000 to pay for Superfund costs at the Tippecanoe Sanitary Landfill. The City had already been granted an excessive levy appeal in 1991 that included \$120,000 (about \$.08 on the tax rate) to pay for Superfund costs. By 1993, that was worth \$132,200 in additional revenue (about \$0.89 on the tax rate) plus \$62,000 in surpluses from 1991 and 1992. The Mayor subsequently removed this item from the excessive levy appeal.

GOVERNMENT CALENDAR

◆ **Budget Process Will Change**

What is the track record of previous budget requests and expenditures for any line item in the budget? What are the past trends in various revenue streams? Basic questions like these cannot be readily answered by the Mayor's current budget process. The information is only available to the individual willing to do the digging in a combination of past budget books, master chart of accounts, and year end financial reports, with willing assistance from the Clerk-Treasurer's office. (Ironically, our newly hired Parks and Recreation Director, Joe Payne, apologized for providing past budget information in his budget presentation because he didn't know how things are done around here.)

There is a growing recognition by the Council and Administration that better information is needed for planning and for communication to taxpayers. A table summarizing expenditures by category since 1988 was prepared (by the City Attorney) for the first time this year. *See Page 1 for more about the budget.*

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Pending Actions</u>	<u>City Hall Location</u>
Sept 3		Council Agenda Posted	Council Meeting on 9/13	Entry bulletin board
Sept 9	4:30 pm	Pre-Council Meeting	Discuss items on agenda for 9/13	Board of Works Conference Room
Sept 13	7:30 pm	Council Meeting		Court Room
Sept 24		Council Agenda Posted	Council Meeting on 10/4	Entry bulletin board
Sept 30	4:30 pm	Pre-Council Meeting	Discuss items on agenda for 10/4	Board of Works Conference Room
Oct 4	7:30 pm	Council Meeting		Court Room

Pre-Council meetings usually involve briefings from department heads on particular agenda items and a great deal of informal discussion among the councilmembers. They are open to the public. Also at pre-council meetings, new agenda items can be added by a vote of the Council, or agenda items can be withdrawn or tabled.

◆ Let me hear your viewpoints on city issues! ◆

Contact me at: 3008 Sparta Dr., West Lafayette, IN 47906. Phone: 497-0238.

Council Viewpoint publication and mailing is paid for and provided to you as a public service by West Lafayette Councilwoman Judy Rhodes. Donations to cover costs are much appreciated. Thanks to the Tippecanoe County Republican Central Committee for allowing use of their bulk mail permit.

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