REGULAR MEETING – MARION COMMON COUNCIL – AUGUST 1, 2017 – 7:00 P.M., CITY HALL

The Common Council of the City of Marion, Indiana met in regular session on Tuesday, the 1st day of August, 2017 at the hour of 7:00 pm in the Council Chambers, City Hall.

Councilman Steve Henderson said, before the prayer tonight, he would ask that they join him in a moment of silence for Officer Overmyer that had passed a few days ago.

On the call of the roll the following members were shown to be absent or present as follows:

Present: Miller, Homer, Smith, Cain, Henderson, Johnson, Batchelor and Luzadder.
Absent: Brunner.

The minutes of the previous regular meeting of July 18, 2017 were presented. On a motion by Henderson, 2nd by Homer, the minutes were approved as presented by the following vote. Aye: Miller, Homer, Smith, Henderson, Johnson and Luzadder. Nay: None. Abstain: Cain and Batchelor.

COMMITTEE REPORTS: Councilwoman Lynn Johnson reported that they had a Compliance Committee meeting tonight in the 2nd Floor Conference Room. The meeting began at 5:37 pm. Committee members present were Chairman Steve Henderson, Dave Homer and herself. There were no committee members absent. Others present were Councilman and Vice-President Brad Luzadder, Councilman Don Batchelor, Councilwoman Deb Cain and the Mayor and Mike Flynn and Steve Smithley and Jerry Foustnight from the city along with Chris Rayment and the Chronicle-Tribune. They were grateful for all of the members and all the people of the city coming to join them, including Mr. Smith (Councilman Henry Smith) who arrived a little late. They had general matters that they were discussing and those matters were considered in consistence with their discussions in the past on the TIF, the Tax Increment Financing, and the Café Valley (inaudible) and the equipment and how it was overbooked and they discussed that again. They also were discussing how removing our TIFs forward into the future and the types of things they are looking at as a committee and working with our neutralization forms to make sure that our abatements are correct and that our base values are correct and our values in our city continue to increase and that we're able to collect the correct amount for our TIF Increment Financing requirements for the Redevelopment Commission. Those are things that are very important to their committee is that our collections are correct and that we have received the issue from Mrs. Flores of the report that was due to us in April and we all have a copy of that now. Thank you to Mrs. Flores for sending that email to all of them. That made them very happy. They were studying that. They will look at that at their next meeting. They also had a lengthy discussion on abatements. All of the members of the Council that were there were weighing in, including the Mayor, including Mr. Flynn, and they asked the Mayor what his desire was and he gave them his honest opinion and they were grateful. They are looking at moving their abatement issues into a more specified and a more compassionate and also looking at abatements from the aspect of being an open minded city and being, using a well thought out program in order to produce and to be able to provide incentives for the Mayor's toolbox. They were really grateful to have these open discussions, these open discussions that bring us all together. They have no votes of record, they voted on nothing, however, they did make a vow to continue to straighten out and work with the TIFs and making sure everything is in compliance. They were very happy to be able to have a committee that has brought all these issues into the forefront and gives us the ability to have open discussions with everyone about procedures. They are going to continue to meet and their next meeting will be on Tuesday, August 15th at 5:30 pm. They look forward to meeting and seeing them all there, Johnson said. Council Vice-President Brad Luzadder added, and, as all of their committee meetings are open to the public, they (public) are welcome to attend. They'd love to see more and more people attend the committee meetings as they continue to work through.

At this time, Council Vice-President Brad Luzadder told the Council, according to their rules, the rules of the Council, it can be asked by the Mayor in which to add things to the agenda, it can also be placed in by the Council President and so this evening, they are adding to their agenda, as directed and asked for by Mrs. Flores, also in accordance with our Administration, we are going to be listening this evening to a professional from Umbaugh to review our Comprehensive Financial Plan, Paige Sansone will be speaking with them. And as the agenda stays, then thereafter, we will then listen to a presentation also by Mr. Jim Gartland and from Mr. Randy Miller.

Councilman Alan Miller said he didn't really have a committee report but for people that like to do long range planning, the dates have been set for the Budget Hearings on the 2018 Budget. Those are conducted by the City Council, sitting as a committee as a whole, the Budget Committee. Those will be the nights of September 12th, September 13th and September 14th beginning at 6:00 pm. The hearings on the budget, they too are open to the public as the Chairman said. He will remind them in the coming weeks, Miller said.

COUNCIL APPOINTMENT: Marion Utility Service Board – Council Vice-President Brad Luzadder told the Council, at the last Council meeting, they were looking for an appointment for the Marion Utility Board and they had two applicants. According to their Deputy Clerk, there were no other applications presented in for that position. There were two that were brought forward with applications at the last meeting, one being Doug Carl, the other being Charles Moon. Mr. Luzadder stated, at this time, this Chair will then entertain a motion for appointment for the Marion Utility Service Board and he asked Mr. Miller if he would please state what the requirements are and why there may be the small amount coming forward. Councilman Alan Miller said, just a brief history. The Utility Board is an independent agency of government. There are seven members on the board, three of whom are appointed by the Council, four of whom are appointed by the Mayor and they must maintain a political balance. There cannot be more than four Democrats or four Republicans. Doug Carl has been a member of the Utility Board on and off for 22 years, is a Republican appointee of the City Council and his four year term is up so that is the seat that they are re-appointing tonight. Mr. Luzadder thanked Mr. Miller and said, at this time, the Chair would entertain a motion. Motion was made by Miller to nominate Doug Carl for another four year term on the Marion Utility Service Board. Motion was seconded by Councilman Dave Homer. Luzadder asked, are there any other applicants to be brought up this evening? Councilman Henry Smith said he would nominate Charles Moon. Luzadder said there is a motion on the floor and asked if there was a second. Luzadder stated, seeing none, the nomination dies. At this time, he told the Deputy Clerk they have one who has been voted and seconded, Doug Carl, to serve another term on the Marion Utility Service Board. The vote was then as follows: Aye: Miller, Homer, Smith, Cain, Henderson, Johnson, Batchelor and Luzadder. Nay: None.

NEW BUSINESS

Paige Sansone told the Council she is with H.J. Umbaugh & Associates and tonight she is going to present a brief overview of the Comprehensive Financial Plan they prepared for the city. She brought copies of this with her and she will leave them for them at the end of her presentation. This has a lot of detail within. This, she is going to actually summarize that detail in this power point which she gave everybody. So that's what she wants to focus on but there is a tremendous amount of detail in the plan that hopefully later, after the meeting, they'll get an opportunity to take a look at. So, with that, they will get started. Ms. Sansone said they were asked by the city to prepare this study to outline the current financial position. Within that, they're forecasting receipts and disbursements through 2019. They do have some historical data in there that they can look at to see how they've done in the past two years. They've included estimated impact of circuit breaker tax credits. Those are the credits that are offered to taxpayers but they do directly reduce the property tax levy so those are important to look at. They've identified potential funding gaps and they've also outlined some possible solutions in an effort to bridge those funding gaps. The intended result of this study is to provide a baseline for your financial operations, Sansone told the Council. They would really like for the city to use those as a financial planning model that they can use to update as their needs change or as outside influences change. This can be easily updated now that the model is developed. She will tell them that they did not build in their 2018 budget because they know that that is currently under development so what they did for disbursements going forward in 2018 and '19 is they assumed a 2% increase. That's a pretty standard assumption, but again, this is a model that they can update as their budget needs continue and as they update their 2018 budget, they can certainly drop those numbers in there. So they hope that this will be used as a tool to help guide them through not only the budget process but for the future years to come. So they looked at within the report 17 different funds in detail. They know they have many more funds than that but these were the main funds that affect their operations. Tonight, a lot of what she is going to be focusing on are the funds that support city operations so that would be the General Fund, the Motor Vehicle Highway, Local Road and Street, Aviation, Park, Cum Cap Improvement, Cum Cap Development and their County Economic

Development Income Tax Fund. So they know that they are like some other cities within the state. They are challenged with the task of providing or even maintaining the services that they currently have with much fewer resources. And why is that? Because of the circuit breaker tax credits. In 2017, 17% of the property tax that they levied is being returned to the taxpayers in the form of credits. That's $3,000,000 for '17. So if circuit breakers weren't around, they would have an additional $3,000,000 to operate and carry on their business. So 17% lost to circuit breakers. By 2019, that loss could increase to 20% which is about $3,700,000. So this really does underscore the need to have this Comprehensive Financial Plan and update it periodically and make course corrections as necessary. The thing with the circuit breaker credits is they don't know the exact amount of the loss until tax bills are calculated and that's in March of a given year. So yes, they know what 2017 is for this year but they don't know 2018 as we stand here today. So it's something that's very difficult to predict but that's why they need to have a plan, a plan to absorb any losses that may come that they were not anticipating. So, circuit breakers, she really wants to take a moment to describe what circuit breakers are for those of them who maybe aren't so familiar with them. Circuit breakers are limits to the amount of property tax a taxpayer can pay. So it's based on the gross assessed value and there's three different property types. There's residential homestead and that's capped at 1% of your grossed assessed value, other residential and agricultural property is capped at 2% and then all other property, which would include commercial, is capped at 3%. Now property taxes approved by a referendum like if a school would put something on the ballot and you would vote that yes, I want this project to go forward and the school is going to issue debt, that's outside the circuit breaker limit. So, she could potentially, if she lived here, pay more than 1% of her home value if there's a referendum tax rate associated with that. So how do circuit breaker caps work? What happens is the Department of Local Government Finance, the DLGF, certifies tax rates. The county takes those tax rates and calculates their tax bill based on what their assessed value, the net assessed value divided by 100. So they calculate that tax bill. Let's say she has a $100,000 home value and she's at that 1% cap, that means her tax bill cannot exceed $1,000. So let's say the county calculates it and it ends up being $1,200. Well she will get a credit, as a taxpayer, of $200. That's great for her, she's got this credit, but if she's not paying it as a taxpayer, you, as the city, are not receiving it in property tax dollars. So again, she goes back to this is a direct reduction of your property tax levy. Before 2010, before we had these tax caps, you weren't getting these reductions, these $3,000,000 reductions in your tax levy. So this has had a significant impact, not only to Marion but to many communities within the state and she thinks the impacts are starting to be felt more and more as we get further along. Again, they started in 2010 so some communities have been able to use cash reserves to help them through their shortfalls but she thinks she's seeing a lot of taxing units now that are starting to get to a situation where they've got to find some new revenue streams or cut their budget. It really comes down to those two things. So she is on page seven now. She likes this graph. She wished she could show it to everybody but they have it in front of them. This graph is, it's showing them the net property tax. So the blue portions of this bar graph is what you collected or what was projected you would collect in property tax. The red portion is the circuit breaker caps. So, for example, if you look at 2017, the total tax levy approved by the state, by the DLGF, is almost $18,000,000. So that was approved. But that's not what you're going to receive because off of that $18,000,000, we have to take off $3,000,000 for the circuit breaker caps and that leaves you with $14,800,000. So that's what you will collect and she thinks it's good to point out or it's interesting or something to point out that in 2010, you received $13,800,000 so from 2010 through 2017, your property tax revenue, your primary funding source, has only gone up by about $1,000,000. Again, look at those tax caps. They're getting larger and larger. Your actual collection of property tax is not growing by that much but we know that your expenses are growing at a far greater rate. Looking on to page number eight. So how do you compare with the other taxing units in the county? So in 2017, circuit breakers are $8,000,000 countywide. The city shares in 37% of that loss. As she said, it's about $3,000,000. The county government shares a 13%, the schools, 18% and the libraries, 4% and then all other units which would be other municipalities or townships share 28%. So, truly, the city is sharing in the largest piece of the loss in this county as far as circuit breakers are concerned. Page number nine, for budget year 2016, she wants to give them a piece of good news because after that, it might seem like she's giving them a lot of bad news but first of all, budget year 2016, there was a positive impact on your cash reserves. The city was able to use more grant funding to support operations, there was a number of cost reductions reflected in the budget, including reductions in staffing levels through attrition so your cash position actually improved by nearly $1,000,000 in those main funds that support city operations. So you should be proud that you were able to make a turnaround and you're going to see a graph here in a second and she is going to show them that what it's going forward, what can we do going forward to stop the projected declining cash balances because going forward, we're assuming that 2% increase in disbursements, we're assuming a 4% growth in property taxes, however, there's a 25% growth in circuit breaker credits, so again, those circuit breaker credits are just going to keep growing. Page number 10, this graph is showing the ending cash balances, actual and projected, from 2011 through 2019, and these are just focused on, this is not your entire bank account, this is just focused on the main funds that we feel support city operations. Those are listed at the bottom of the graph there. It's your main operating funds. So, if you just look at '11 and '12, you're around the $1,000,000 mark. It did go up in '13 but there was a loan from the Utilities so that's kind of causing a little glip there. In 2015, it dipped down to $600,000 and then in 2016 is that kind of recovery she was talking about. It went back up to $1,600,000 and she thinks that was a lot of effort through some of the things, cost reductions that the city did at that time. But look, going forward, we have '17 and '18 kind of level out. That's largely in part due to the fact that you're getting additional road funding dollars because MVH and Local Road and Street are part of this so that kind of helps level things out but it's going to start going down as we move forward and as those circuit breakers rise and the property tax is not keeping up with the growth in your expenditures. Page 11, so now she's going to start kind of outlining some areas that we noted of concern. First is the Insurance Reserve Fund. The city is self-insured so you need to set monies aside for claims for insurance purposes. At the end of 2015, there was a negative cash balance of $4,300,000. In 2016, you were able to issue bonds and deposit $1,500,000 into that fund, which is a good thing, so that helped. At the end of '16, you had a negative $3,300,000 cash balance. Going forward, we do see those disbursements outpacing the receipts so your claims are outpacing what you're bringing in to cover them and it could be up to about $600,000 a year that….. Again, your disbursements are outpacing your receipts. So if you look at page number 12, that's another graph of the actual ending cash balances for that Insurance Reserve Fund. We see it going up and down because the city has, in the past, been able to borrow or try to get some receipts into that fund but going forward, we do project a declining cash reserve. In a minute, she will talk some more about how we might be able to generate some additional revenues for the city. So until we get to that piece, what considerations might you have? You might look at adjusting employee contributions. She knows that that's not popular especially if you are giving raises or you haven't given raises in a while. Higher deductible plans. She knows a lot of cities have had to go to higher deductibles to help bridge that funding gap. And then, Accelerate Indiana Municipalities, it used to be known as IACT, they have a medical trust. That might be something you might look into as well to see if there are some cost savings there. Page number 14, there is an outstanding loan from the Utilities. In 2013, actually in 2012 and '13, the city borrowed from the Utilities. The city paid most of that borrowing back but there is an outstanding loan of $1,300,000 with 3% interest that remains outstanding. Right now, there's no immediate plans to repay the Utilities but some things you might want to consider is maybe a payment plan or, in a minute she's going to talk about payment in lieu of taxes. Perhaps that outstanding loan could be netted against those payment in lieu of taxes and she'll get into that in more detail. Another item of concern is repayment of TIF dollars to General Motors. So over the past few years, there was an overpayment of GM Tax Increment Finance, TIF, to the city due to some incorrect TIF calculations and neutralizations. So the total that the city owes is $326,930. In our financial plan, we have assumed that the city will repay that in full from the TIF Fund. There are monies available there. Page 16, there is a Redevelopment District COIT Revenue Refunding Bond of 2014. Prior to 2016, these bonds were paid from the TIF Fund but COIT was actually pledged as a primary revenue source so it really needs to be paid out of the General Fund because that's where COIT is being deposited. So what this does is, yes, we can fund it out of General but it causes General Fund expenses to increase by $430,000 a year beginning this year in 2017. So, right off the bat, before we start correcting any negative balances or try to increase your fund balances, we've got this additional expenditure. Page number 17, we also needed to look at what budget deficits do you have and what cash reserves do you have. So, when she says budget deficit, she means are you outspending your receipts, do you have negative fund balances and then when she looks at cash reserves, we want to look at are you meeting the minimum level of cash reserves. So, industry standard says that you need to have about 15% of your disbursements on hand at the end of the year. So in other words, you want a cash balance, you want to end the year with a cash balance equal to 15% of what you are going to spend. That's minimum. Ideally, you would want to have somewhere around 25% to 30% but we're going to start with the minimums because this is easier said than done. She means, in order for you to build cash balances, you need to do one or both of the following – increase revenue streams and/or reduce expenditures. So looking at page 17, at the very top, so we're estimating that you're going to end the year, December 31st, 2017, in those funds that support city operations that she outlined a couple of slides before, we think that you're going to be positive $1,400,000. Now we did throw in that Insurance Reserve Fund because that's something that needs to be taken care of. We need to correct that and we are projecting you're going to end the year with about $3,300,000 negative. So if we add both of those together, there's a little bit of an offset, we have negative about $2,000,000. Now, now let's look at these operating funds and see how much money do we need in order to get to that minimum reserve level that you need to have at the end of the year. So you can see, looking down through there, General Fund you need about $2,100,000, MVH $229,000, etc. She doesn't have to read all of those off but what you need just to get those fund balances up to the minimum is about $2,500,000. So you need $2,500,000 to get to the targeted fund balances, you need about another $2,000,000 to recover or get those negative cash balances up to at least zero so we're looking at about $4,400,000 of need, you can call it that, needed cash, needed funding and we know that you can't do all of that in one year so it's reasonable to think that you would try to do that over the next five years. So $4,400,000 over a five year period is about $900,000 a year. Moving on to page 18, now we're looking at your structural budget deficits. So we looked at your operating funds to see, okay, which funds are outspending the receipts. You're spending more than you're bringing in for a given year. Some are doing fine or we're projecting they'll do fine because this is projected over 2018-19 so MVH, Local Road and Street, Cum Capital Development and EDIT, they're nearly balanced budgets. But General, Aviation, Park, and again, the Insurance Reserve Fund, they're outspending their receipts. So if you add all those deficits up, we need about another $746,000 just to get on an annual basis balanced budgets. So page 19, just to put it all together then, we have an annual structural budget deficit of $750,000. Again, we need that annual allotment of about $900,000 to get those cash reserves built up over five years so we're looking at, at least over a five year period, about $1,650,000 or $1,700,000. So, we set out on page 20 to try to find some options for you, how you get that $1,650,000 without cutting your budget. We just focused on revenues at this point. So the first option that would be most beneficial to the city is the Local Income Tax and she's going to go into more detail in just a second on this tax but the Local Income Tax would generate about $5,400,000. Another revenue option is Payment in Lieu of Taxes from the Utilities and she'll tell them a little bit about that in a second. That would bring in about $1,500,000. The Local Income Tax, you cannot do on your own but she'll tell them how they can get that done if they got some cooperation from some other taxing units. The Payment in Lieu of Taxes, that is something that the Council could pass, however, it may require a rate increase in the utility. So there is that also. So you've got to weigh the benefits against having that rate increase. The Food and Beverage Tax is another option, it does require special legislation though. But there are municipalities in the state that have been successful in getting that passed. That would generate about $870,000. There is a Municipal Wheel Tax that you could do on your own. The Council can adopt a Municipal Wheel Tax. Your deadline to do that is August 31st and that would generate roughly about $800,000. And then finally, you've got a Cum Capital Development Fund that has a maximum rate of $.05 and the way the statute works, that rate gets adjusted downward as your assessed value goes up so you were probably at $.05 maybe a couple of years ago and now it's coming down a little bit and every few years, we would recommend that you take a look at that to maybe re-establish. You're not very far from the $.05 right now so if you re-establish, it would be $110,000 but it is an option that they might want to look at every couple of years. So we've got $8,600,000 of funding options and you need about $1,700,000. So you've got some things, you've got some options available. So let's take a closer look at the Local Income Tax. This is a tax that's on the adjusted gross income and it's based on where you live. It is adopted by the Grant County Local Income Tax Council and she hears people say this is a phantom type of council because it's a weird sort of thing. It's comprised of the county unit and each municipality within the county. So it really does exist. The votes are based on each unit's percentage share of population to the total population in the county. The deadline to adopt is October 31st. If you look at page 22, she has outlined what this Council looks like and the number of votes per each member of the Council. So it takes 51 votes to pass a Local Income Tax. You, the city, have 43 votes so you can't do it alone. You can do it with the county unit, you can do it with Gas City. If neither of those two would be interested then you could try to generate some interest from some of the other taxing entities because you would need, let's see, you would need another eight votes. You need 51 votes to get this passed. So that is something that is available to you, Sansone told the Council. If you look at page 23 and she's sorry for all the numbers splashed on the page here. Let her direct them to what the highlighted numbers are. The first column is where you're at right now. You have COIT Certified Shares, they're now called LIT Certified Shares, at 1%. So right now, you're getting $4,200,000 and that's going into your General Fund and that is a nice revenue stream for you. Should the Income Tax Council go up to the maximum, and she's showing maximums here but you wouldn't even have to go to the maximum, if they went up to the maximum at 1.28% of the Certified Shares (inaudible), you could get $5,400,000. If you did it through economic development, because there is an Economic Development Income Tax, which you already receive, you could get $5,900,000. And the reason why you're getting more is because economic development, that piece doesn't get distributed to townships or libraries. So, again, there are some options. You can see it not only benefits the city, there's other taxing units within the county it would benefit as well. Any questions before she goes on, Sansone asked. There were no questions from the Council at this time. Ms. Sansone continued and said, so she wanted to sort of end with maybe looking more closely at a few of your operating funds. It would probably take hours for her to go through every fund that we have in this but she doesn't want to do that to them. Let's just, she thinks, since they're going right into their budget season, she thinks this might be helpful in trying to determine what budget should we be aiming for if we want a balanced budget, for some of these main operating funds. So on page 26, she's showing them the General Fund and what she's comparing here are receipts and disbursements. So the blue are the receipts, the red bars are the disbursements. You can look but you really haven't done too bad as far as outspending your receipts in the General Fund. You can see in 2015 and '16, you were a little bit below your receipts. In 2017, right now, as your budget stands today, you're about almost $200,000 more than the receipts meaning you would use $200,000 of cash on hand if you were to fund this entire budget but she can tell them, from past historical experience, you don't generally spend your entire budget. So that's a good thing. So, moving on to 2018 then, we're projecting receipts of about $19,678,000. So if they were to ask her today, "Paige, what should my budget be in the General Fund for 2018 to have a balanced budget?", she would say don't exceed $19,678,000. Now they can see, they have some disbursements showing there, but again, that was just the 2% increase. We do not have the 2018 budget but, since they're getting ready to go into those budget meetings, she thinks it would be helpful to know what receipts they have available to them. And then in 2019, you do see a little bit of a decline there and that's because we're projecting circuit breaker losses, unfortunately, to go up in 2019. Moving on to page 27, this is looking at your actual and projected ending cash balances. That dashed green line that you see at the top of this chart is the recommended minimum 15% cash reserve. You can see you've been well below that in 2015, '16, and we're projecting forward. So that's where we would like to see you get up to at least that minimum 15% reserve, and by the way, that will help you to not have to borrow from other funds or go to financial institutions to do those temporary borrowings which you have had to do the last several years. If you have some cash reserves, you can borrow from yourself, which is obviously cheaper to do. Moving on to the Motor Vehicle Highway Fund, page 29, the receipts in this fund are going to go up. She means, we've had a legislative change and it's going to start going up in 2018. Now you're probably wondering, that doesn't look like a big increase. In 2017, the receipts were about $2,100,000. They're showing them it's only going to be $2,100,000 in '18. That's because when we worked up this financial planning model, we were able, we saw that your receipts really were, the state distribution is going to go up about $300,000 so what that did was provide an opportunity for you, if you so desire, to shift $300,000 of property tax from MVH to the General Fund. So, this additional influx of money in the Highway Fund is actually going to help the General Fund and you're able to be close to funding your budget. So again, we'll go through that same exercise, what should my budget be for 2018 to have a balanced budget? $2,133,000 in Motor Vehicle Highway. The next slide, slide 30, is again showing the cash balances and we do have that 15% cash reserve line. You can see that you've been below that. We are projecting that to start going back up, and again, depending though on what your budget is going to be, if you continue to get that additional revenue from the state as we're projecting, you could start seeing that climb back up. But again, we don't know what projects you have going on and what you might be spending in the future. But if you stay within the receipts, the $2,100,000, $2,200,000 range, you should be able to at least maintain your cash reserves. The next fund is Local Road and Streets. This fund, receipts are also going up but this fund doesn't have property tax so there's nothing we can shift. The state revenues have to stay in this fund and it can only be used for road projects. So, that's why you're seeing a big increase in receipts there. So, in 2017, your receipts are $243,000. We're projecting it will go up to $367,000. That's about a 50% increase and that's what the state is projecting as well. So, you can have a budget of about $350,000 and still have a balanced budget and still have some reserves in this fund left over. So if you look at page 33, again, we have the cash and we understand that this cash balance can go up and down because this is really a project driven fund so sometimes you might be above that 15% reserve level and sometimes you might be below. We understand that. But if things go as we're projecting and you stay within those receipts, you may also see some increase in cash or you may be able to fund some more projects. The next fund is Aviation. This fund doesn't receive enough revenue from its operations to be self-sufficient so you do supplement this fund with property tax. What we tried to do for this analysis is just put enough property tax in 2018 and ’19 to fund the budget because really, we would like to see this fund be more self-sufficient and not so reliant on the property tax because the civil city funds need that property tax to operate. But there is some property tax in there. We shifted it a little bit but we shifted it enough that the airport was able to fund its budget and we were able to shift some to the General Fund. So, for 2018, we’re looking at a budget of about $291,000 (inaudible) could be maybe $300,000 to $315,000. Park and Rec, and this is the last fund, thank you for bearing with her. She’s not sure she knows what all those looks are. They’re giving her looks like they’re either confused or they’re upset. But that’s okay. She’s pushing forward. Parks and Recreation, here again, we were able to shift some property tax because what we try to do when we build these models is put as much property tax in the General Fund as possible. Why is that? Because the General Fund can be used for any municipal purpose. So we want to make sure, we want to fund all these other funds but, as far as cash reserves, we want the General Fund to be the most healthy and have the most opportunity to fund things in case something should come up. So, that’s kind of what we did here. If we go through the same exercise, the budget could probably actually be a little bit higher than $570,000 because there’s a little bit of cash reserve but you want to keep it, let’s just say, in the $600,000 range. It looks like in ’16, the actual expenditures were $554,000 so that should be very doable if you just look at historical information. Page 39, that’s an odd shaped graph, she understands, but again, we just put enough property tax in there to fund the budget with a zero reserve left over because, at the option piece of this plan is where we said here’s how you could build up the reserves if you wanted to do that. So that’s why it looks odd. So, just to wrap all this up, she wanted to give them some best practices. The thing you can do right now because we’re more than halfway through the year is to evaluate your performance against your current budget to see if there’s any opportunities to make reductions. That’s always a good option. There’s this misconception that you need to spend all the appropriations in your budget. That’s totally a misconception because if you don’t spend it, it stays in your bank account. It’s just like at home. If she doesn’t spend everything in her bank account, nobody’s going to come and get it. It stays in her bank account. So there shouldn’t be any scrambling towards year end to try to spend all the appropriations because we want to try to be frugal and not spend it if we don’t need it because then the cash carries over until the next year and if we need something in the next year, maybe we can use those reserves. Another best practice is to adopt the budgets to where they closely match your estimated annual receipts. That’s a big one right there. Again, that’s easier said than done but if you match your expenditures with the receipts you’re bringing in, you won’t use cash reserves. You’ll leave those reserves in place and you’ll maintain those reserves. There’s also a misconception that you pick up the current year’s budget and just increase it by 2% or 3%. That really is not a very good practice when it comes to budgeting because what if this year’s budget was out of bounds and the previous year’s budget was out of bounds? The better way to do it is look at how much receipts do I have and then prepare a budget based on that. And also look at historical disbursements. You know, just (inaudible) 2016 actual disbursements and make adjustments off of that. We’re trying to get people away from just picking up 2017’s budget, because that’s an estimate, and look at some numbers that are real, actual numbers and receipts. Continue to develop this long term plan. You do have a capital plan. We’ve incorporated that into the financial plan so continue to update that. Look at different funding mechanisms. For some of your capital, maybe you might want to think about issuing bonds. A lot of municipalities have to do that now because they just don’t have the resources or cash on hand to do large capital projects. Develop a strategy in advance to absorb circuit breaker losses. As she said before, we don’t know, standing here today, what your circuit breaker loss is going to be for ’18. We’re not going to know that until March of 2018 so have that in the back of your mind. What if it comes in $200,000 or $300,000 higher, what are we going to cut from the budget? How are we going to absorb that? And then finally, she mentioned this earlier, we really want you to use this as a tool. We hope that it will be a good tool for you to use to plan. Especially for things like raises, we can drop those into the model and project forward to see if you can fund ongoing raises or even a raise in 2018, how would that impact ’19, ’20, ’21? So now that we have this set up, it’s easy to run some (inaudible) or develop additional funding models for you. So just continue to plan and regularly evaluate your financial position and update this plan accordingly. Are there any questions for her, Sansone asked the Council. Councilwoman Lynn Johnson told Ms. Sansone that seemed very thorough to her. She asked Sansone if she was the senior in charge of our account at Umbaugh? Sansone told Johnson, no, she is not. She’s a partner at Umbaugh but she is not the senior person on this account. Johnson asked, is she funding and actually keeping track of her billable hours for our city or is she working for us pro bono? Sansone replied, no, we are not working for them pro bono. We have an agreement with the city. We're doing a couple of different projects right now, but yes, we most definitely keep track of our hours and we will be billing for the work we are doing. Johnson asked, when will they submit that bill to the city? Sansone answered, we will submit it at the conclusion of our various projects. This would be considered a conclusion but obviously we could update as the need arises but she would probably bill in the next couple, two or three weeks from now. Mrs. Johnson said, okay because those things are important to them. We're going into our budget hearings. She has another question. She's (Sansone) talking about our circuit breaker increasing in the next couple of years. Can she please explain to them how tax abatements and circuit breaker credits correlate to this City Council because, you know, our City Council has several responsibilities and one of those responsibilities we do is we handle the Mayor's toolbox, you know, with abatements for our city. If she could explain how that works and what our advantages are for abatements and what our disadvantages are for abatements, that would be nice. Ms. Sansone responded, so generally speaking, when an abatement is granted, it means that you will not have that included in your tax base. So in essence, it's kind of a reduction in your net assessed value which could potentially increase your tax rate and increase your circuit breaker loss. So that was the negative side of it. The positive side is you could potentially be bringing in important industry or corporations into your area that would then eventually, hopefully, increase your tax base, bring in maybe additional employees that could increase your Local Income Tax. So there's really a positive on each side but she thinks because we're in this day and age of circuit breaker that Council's have to be more considerate about what abatements they are approving because it does impact your tax base and the tax base is driving the tax rate and the circuit breaker losses. Johnson said she had one more question. There's an item that she (Sansone) did not mention and she knows that is directly something that can be done. The state code says that the Redevelopment Commission can apply a special tax to all of the, she thinks it's called a TIR. Does she know about that? Sansone told Johnson, she is not an expert in Tax Increment Replacement. She knows of it but she couldn't answer a question about that. But we do have people in our office that are well-versed in that that could come back and talk to them about that. Johnson asked Sansone if she would mind asking someone there and maybe giving them a small report, really just a note in the mail. That would be nice. That would be great for us, Johnson said. Sansone said she would be glad to do that. Councilman Steve Henderson told Ms. Sansone, on the Local Income Tax, on page 23, she's showing that we're getting 1% right now, which is like $4,200,000. So, if we increase it to 1.28%, it's going to make us at $5,400,000. So that's really a net of $1,200,000. Is that right? It's not going to raise it to $5,000,000. It's just going to raise it $1,200,000. Sansone told Henderson, well no, actually, you would be raising it another 1.28% on top of the 1%. Yes. She's sorry if she didn't explain that very well, yes. And that's why she said you don't have to go up to that maximum, but yes, you would be more than doubling what you have right now. Henderson said, so we would be adding those two totals together then? Sansone said, right, you would add the $4,200,000 plus the $5,400,000, yes. Henderson said, so it's an increase of 1.28 above. So actually we'll end up at 2.28. Sansone replied, you'll actually end up at an increase, let's see, both of those together are $9,500,000. She's saying that right now, you're getting $4,200,000. You could be getting $9,400,000. The addition is the $5,400,000. That's the additional revenue. Henderson stated, the percentage would be 2.28. Sansone answered, yes, she's sorry, 2.28 total, yes total. Councilman Alan Miller said, yeah, just for information, a question about the Insurance Reserve Fund. He assumes she has some knowledge about what the situation is with insurance in other cities in the State of Indiana. Ms. Sansone told him, oh absolutely. Miller asked, are there any that have a deficit as large as the City of Marion? Sansone responded, not that she recalls. Let her just tell them generally because every city is different. Generally speaking, the cities that are self-insured are struggling with this. That's why we are asking that you might consider looking at maybe going a different route with it. She means, we understand the struggle. She is working with a city right now that's looking at a 20% increase in health insurance next year. It is, it's a struggle. She understands it but that's where you might want to start looking at some other opportunities or some other alternatives to fund health insurance. Miller said, yeah, he doesn't know whether part of their study of the city finances was to look backwards. If so, does she know when was the last time we would have had a balance in the Insurance Fund? Sansone said, she only looked back about four or five years. She didn't do a 10-year look back. Miller said, so we're losing about $600,000 a year and that's on top of the $1,500,000 bond issue we did last year. So had we not done the bond issue, we would have lost over $2,100,000 this year. He guessed in the back of his mind he thought in some way when we approved the bond issue, we were stopping the bleeding. Sansone said, you were helping to stop the bleeding. Miller stated, yeah, he thought they were stopping it. Sansone explained, you weren't able to issue enough to do that because you are limited. So yeah, she means it helped, definitely, but yeah, we need some other revenue sources to get you out of that. Mr. Miller asked, is part of her assignment to suggest avenues that we might pursue, higher deductibles, other plans, more of a cafeteria approach? Sansone answered, yes, that's what we're suggesting. Look at the higher deductibles, employee contributions, which she knows that's not a popular thing, and again, look at that AIM Medical Trust. That's through formerly IACT. The AIM Medical Trust is a pool of insurance because they work with all kinds of municipalities within the state. She doesn't know if it's cheaper but it could be. She thinks it's an option to look at and just look at other, maybe look at nearby cities and ask them. What is the county using? Maybe their plans are cheaper. So yeah, it's going to take some investigative work to see if you can find some alternatives. Councilman Miller said, one other question about assessed valuation. Is the assumption that the assessed valuation of your home is the market value of your home? Sansone told Miller she doesn't know that she would say that's the assumption but theoretically, that's the way it's supposed to work, theoretically. So really, those assessed values, they're based on sales disclosure data and trending values in your neighborhood. So theoretically, again, that's the way it's supposed to work. Miller stated, it just seems, he made some comparisons through realtor listings and he realizes you don't sell houses for what they're listed, there are significant gaps between the assessed value of some homes and at least what the realtor thinks is the market value. How do you correct that? He assumes our County Auditor is following certain guidelines, making incremental adjustments. How do you ever make a big correction on something like that? Ms. Sansone responded, she doesn't know but we hear that all over the state. Where we hear that the most is not on residential but on commercial properties. One McDonald's in one area will be a completely different assessed value than in another area and they seem to be similar areas. Yeah, she doesn't know how you go about correcting something like that. Miller told Sansone, we appreciate the hard work you've been doing. Councilman Henry Smith asked, is it possible to bring in our whole county under one umbrella of insurance to make it cheaper? Sansone told Smith, she thinks it is possible. She means, they haven't looked into that but….. She thinks it's up to the insurance carrier, she really does, because we know that if there's a larger pool of people, it should be cheaper. Right? So, she thinks that is something to definitely look into. Absolutely. She wished she had an example but that's why she mentioned the county because even if maybe you could just go in with the county, that might have some savings there. But she thinks, yes, she thinks he's (Smith) on to something. She thinks, if you could even get the whole, all the governmental entities in one group, you would think there would be some savings there. But we don't get to that level of detail when we do these studies but she thinks that's worth looking into definitely.

JIM GARTLAND AND RANDY MILLER TO ADDRESS CITY COUNCIL REGARDING TAX ABATEMENTS AND TIF. Jim Gartland told the Council he is the Chairman of Atlas Foundry. He's also this year's Chairman of the Grant County Manufacturers. All he knows about what's going on here on tax abatement is what he's read in the paper. He'd just like to urge them not to have the blanket one year without tax abatement. He thinks it will lead to shying away from a year's worth of investment in our community and he thinks it will lead to other problems. So, he understands the jam we're in here but to tell somebody you don't want them here or to tell them that they can't, you don't want them to do a project for a year would make the problem worse, not better, he thinks. He does believe that many manufacturers at this time of the year are looking at what projects they're going to do next year and he'd hate to see them get set back. So, he appreciates their time. He forgot to tell them that next year we're (Atlas Foundry) going to celebrate 125 years in manufacturing in this county and it's been good to them and they appreciate them (Council). Randy Miller addressed the Council at this time. He said he's the Chief Executive Officer of RMA. It's a civil engineering, surveying, construction engineering company that has several offices across the state and he had a lot of concerns and had a lot of phone calls from a lot of different business people and when he saw some of the articles in the paper, he started making phone calls to Mr. Brunner and others and was asked to come and have a discussion with them. Please understand that everything that he is saying to them is constructive. It's not criticism as such, it's a constructive discussion and he thinks that it's important that the dialogue that we're having does take place but he thinks that the reality also has to take place too. He wished that Umbaugh and Associates were still here because we could have some further discussions but it's really important that the Council discuss with people who are in business, who are in manufacturing, commercial, industrial and ask them, from your community, the people who you represent. There are some extremely bright and talented people in this community. Mr. Gartland's one of them, extremely astute. Half the time he can't get the jokes that he tells him so, he means, he's right there on the cutting edge of being able to survive in this environment. He thinks at one time he told him that a foundry a day or a foundry a week was closing, but yet, look at Atlas. They're still here. They're surviving and they're growing. 125 years he thinks he said. Tremendous. What he would ask of the committee and of the Council is that you have a dialogue with the people in the community who do this work for a living, who have a lot of vested interest in the community, manufacturers. He agrees with what Mr. Gartland said. If we have this moratorium and you have these projects being scheduled, whether it's industrial, commercial, residential or whatever, and we go as you might call "dark", if you will, the City of Marion and the county is going to lose because a couple of things will happen. Number one, people will put off their projects or even think about the county or the city for a year. Secondly, it's going to send the absolute wrong message. He deals with site selectors and he deals with companies every single day for a large region of Indiana and he has actually had some of them tell him they go back through the papers for many, many years to see what the atmosphere is and supposedly, that's supposed to reflect the feeling of the community. He doesn't believe that's always the case because opinions do creep in to a position, particularly in papers. He remembers as a child, his parents and his teachers always told him "never say never". Do you guys remember that? In effect, that's what we're doing if we take that approach of a moratorium for one year. He's going to use, throughout his discussion, tax incentives and that includes tax abatement, TIF. Although CReED's are going by the way of the buffalo, it's still in existence now. When we have someone who wants to rebuild, retool, invest in their current business or we have someone who wants to come to our community, it's an investment and that's what you, as the leaders of our city and our community, are doing. You're making an investment on our behalf, hopefully, with some discussion from us. You all have a constituency. Some have districts or wards and others are at-large but you have people who talk to you, you talk to them. Hopefully you can garner a consensus and come to a conclusion. But in this particular case, when you start dealing with finances and projects of this magnitude and the complexes of it, he means, you heard the report that she just made. You really have to (inaudible) to follow what she's doing. He's sure it's going to take them a while to comprehend and ask a lot of questions to figure out where she was going and where she was projecting. Well it's the same thing in tax incentives when a company wants to come. There are a lot of reasons why and that's why he's asking this Council, particularly the committees, to ask certain people in this community for their input. Understand and get a really good feel. You cannot legislate without understanding the issues and the real true way to understand the issues is by talking to the people who are in the production of the business. You have to have that. When his company tries to relocate someone or locate something here, you can be assured that we have looked at several other locations. For instance, the hotel that they just approved the tax abatement on, he can tell them absolutely 100% the Chronicle got it wrong and it infuriates him that they did. They kind of insinuated that they were going to come here anyway, that we gave them this bonus. Well, he got a phone call from the owner, Raj Chandat who sat right there and was representing the company and he said to him (Miller), "no one called me, no one in my organization has the right or would ever speak on my behalf and in no way, Randy, were we compelled to develop in your community. Randy, you know because you were the site selector". Miller told the Council, and he assures them they had three other sites, only one of them in this community. Now, it's not to hold this Council or this city hostage but it is a fact of life that if you have several communities or several locations vying for a company and all of them are relatively close but one of them has an incentive, they're going to go with the incentive. It's natural because what does a tax incentive do to them? It's a hand up. It allows them to become a viable company and build and that tax base, when you use a tax abatement, is the same as it was before they came and then every year, that tax base increases and the taxes that they pay increase. It's a net gain. You cannot say well, if we didn't give them tax abatement, we would have all this. That's precluding the fact that what he just said was they probably wouldn't come here. It's hard enough to get businesses to come here. It's hard enough to get businesses to stay. We've had big boxes. Home Depot left. We've had small things, the hot dog stand and others that's came here, thought they could make it and they couldn't. So understand that when he sees in the paper and others call him or the owner calls him and says well, you guys would have came anyway. That's not the case and their supposition or anyone's supposition is completely unfounded and it does infuriate and make the people who are investing in the community upset. Development incentives is always going to remain a significant issue and a significant impact unless everyone in the community says we're not going to do it and that means that every county touching us would have to say they're no longer giving incentives, they're out of the incentives race. And that means that the entire State of Indiana would have to do the same thing. And that means that Illinois, Michigan, Kentucky and Tennessee would have to do the same thing. In other words, you'd have to have a complete disregard and total reevaluation of trying to get people to invest in your community and it will never happen. It's not a practical reality. So if we're out of the game, if you will call it a game, the race, the incentives, we're going to lose because Gas City or Sweetser or the next county over is going to offer that same thing. Now, without a doubt, we need to structure our deals better. We need people who will review the deal better, who will understand the impact, who will say wait a minute, this is what the benefit is and this is what the cost is and does it outweigh it. What's the benefit to cost ratio. But he has read, he doesn't want to say thousands of articles but let's say hundreds of articles and every one of them take this point of view and they isolate on what their opinion is and the cons or the pros, whichever side you go to, say the same thing and they all forget that it's a large piece of the puzzle. If there's a development and somehow we get involved in incentives, there's impacts beyond that. There's an impact because maybe we put infrastructure out there and some people would say well, that infrastructure is just for that project. Well no it's not because from here to there, someone else can tap on to that and move on or maybe we push it out to 69 and 18 like we did. Now we can go on or we can branch north and south. So that is an investment on our part. It's not just specifically for that project. He's seen a lot of discussion about that across the United States. Well they did that for GE, they did it for this company, they did it for that company. Well there is more benefits. One company talked about well, we had to pave all these roads. Well you know what, we all drive on those roads. And what about the fact that they do bring in employees or they shift employees from one company to another and then this company has to get new employees. And isn't that perhaps getting more population in our county and perhaps, maybe, they're going to be paying that LOIT or that COIT and they're going to have children and it's going to increase the population of the students because we have a declining enrollment. There are so many gains that he can't stand here and list them all. But he does know this. If we shut down, it's going to take a long time for us to recover because the people who develop or are looking for places to develop are going to say "you know, I remember a couple of years ago, that Council, they did this". Well, he doesn't know who's still there. And as soon as you get a question in your mind, you're going to go to the next community because you don't need that hassle. They don't want that problem and that's when we lose. We lose the chance to increase our tax base, to bring in a different culture, to have the opportunities. You know, somebody said again it was specific. He'll tell them what, he's got a phone book here. This is the only tool he brought. His granddaughter was in a play and she said he needed a visual so he brought the phone book. He'll tell them something right now, any one of them could ask him anybody or any business in this and he'll tell them how it would impact them by bringing in new business or reinvesting in an industry that wants to retool because he could tell them how, somehow it's going to affect someone, whether it be a realtor, a title company, attorneys, surveyors, engineers, contractors. He means, it just goes on and on and on, the suppliers, the trucks that bring the equipment, those developments, the employees, the housing, it just goes on and on and on and on and on, the schools. Show him somebody in the book that it doesn't affect and those are your constituents. So, you can't micro look at the issue and that bothers him when he sees this article saying, well, we can't have it because of this or this article is saying well we've got to have it because of this. You can't do it. It's larger than that. The impact is this big, it's huge. It trickles down. He hates to use that word but it has an effect on everyone. Sometimes it's not immediate. Sometimes it takes years but the effect is always a positive impact. As long as we structure the deal and most importantly we review and maintain the structured tax incentive which, to be honest, we haven't done very well. We've got issues at the county that are mind-boggling. We have issues in the city that he doesn't understand. If we can't do it, we need to get new personnel or we need to get somebody to assist us to maintain that. He doesn't care if we have to hire somebody but we have to understand what the deal is, make it properly, structure it properly, understand the cost benefit ratio, all those factors that go into creating that deal and then make sure we maintain it. Make sure we charge the right amount, that we don't overcharge or undercharge, we don't anticipate something that's not true. You know, he's got a lot of pages to talk about but he thinks they basically understand the general concept of what he's trying to say. He's trying to say that without it, we're going to stall. The atmosphere of this community depends on what you guys do. We cannot have a moratorium but we can do a better job of what we're doing and we can review what we're doing and maintain it and somehow put those mechanisms in place, those oversights in place, to properly execute something that's good. And we have to add the oversight where it's not, it has to be transparent. We can't have one person, whether it be a Mayor, a Council or anyone. We have to have that transparency. And, you know, the deals that come through do require secrecy in a lot of cases but there are safeguards to that. You are a safeguard. You have the right to stop a process and say, you know what, you will disclose to us how financially stable you are. You will disclose to us, if this deal goes bad, what clause in this agreement says you will pay us back. If we extend infrastructure or if we give you this property for a lower rate or give it to you for the investment, if it goes bad and it doesn't turn out right, we get it back. There are all kinds of clauses in the deal that could make it very equitable for us, as citizens and us, as legislators. So, his point is, talk to the people in the community that are smarter than him, smarter than us. Listen to them. Seek them out, get them to help us. Structure the deals properly and for God's sake, maintain it, watch it, oversight it. Hold them accountable and that's what we need to do, Miller told the Council.

Being no further business to come before the Council, on a motion by Homer, 2nd by Johnson, the meeting adjourned. Time being 8:20 p.m.