



Jeremy P. Stutsman, Mayor
CITY OF GOSHEN

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2020 Budget Letter

September 25, 2019

Council President Weddell and Council Members,

It is hard to believe that another year has passed and we are here again talking about the next budget that will help carry the City of Goshen forward. As in past years, it is important that we closely consider the needs our departments have in 2020. Just as we need to be mindful of 5 and 10 years down the road.

I would like to thank the Department Heads for their careful watch and respect for the city's budget and our tax dollars. I would also like to thank the current elected officials for your stewardship of the city's budget. We have utilized smart budgeting and responsible spending to create healthier and stronger savings accounts for the City of Goshen. Through our practices and close management of these dollars we have been able to grow our general fund cash balances by a significant amount. In 2014 the City of Goshen was recovering from the recession and had just under \$6,000,000 in cash balances. If we were to spend the entire amount of the 2019 budget, we will end the year with just over \$14,000,000.

The Department of Local Government Finance suggests communities have cash on hand to cover a minimal of 2 months of operations and a maximum of 6 months. We will end 2019 with over 6 months of cash balances.

Our job is to be good stewards of the tax dollars and find ways for these dollars to be put to the best use and return for our community. This includes preparing for the future by building our savings accounts to a health level. It also includes making sure we aren't saving more money than is necessary. We must find that balance of spending and saving.

After looking back on past budgets and paying attention to the needs for savings accounts, keeping up with project lists and offering the best support we can to our city departments and staff. I have come to the conclusion that the city should maintain between 5 and 6 months of cash balances at all times possible. When those balances near the bottom marker we need to cut back where possible in order to build the savings again. When we reach the top marker I believe we are free to invest more in the community so we do not surpass the 6 month mark.

It is for this reason that I am suggesting we pass a funded budget but not a balanced budget for 2020. The 2020 budget is presented to you with the knowledge that cash balances will be tapped but not depleted.



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Keep in mind for many years the City of Goshen passed funded budgets not balanced. However we have had success in balancing the budget before the end of that particular budget year. I would not be suggesting that we move forward with a funded budget if we hadn't prepared for this over the last several years. If you recall I have committed each year that there will come a point when it is appropriate to spend more and other times where we will need to pull back on spending.

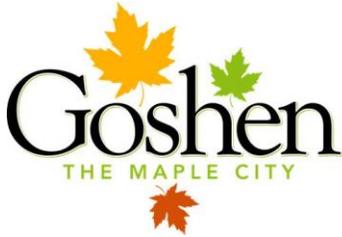
The 2020 budget will follow the now long standing practice of only spending 95% of the appropriated money. We have had great success in being better prepared for cost overruns and at the same time we have been able to protect dollars for carry over to the following year. In 2018 we ended with \$33,514,611 in our major funds and the general fund (this does not account for TIF funds). In 2019 we are expected to end with \$35,006,826. This amount assumes that we will spend 100% of the 2019 budget which at this time we are still on track to protect 5% so we will see the \$35,006,826 likely be higher by the end of 2019 when we have our actual numbers in.

This equates to a \$1,492,215 more in our cash balances than we had at the beginning of the year and represent a large chunk of the additional money I am proposing we utilize to push some of our road maintenance and capital projects forward with.

Starting in 2014 the City has chosen to appropriate \$500,000 of the Rainy Day Fund to help cover possible income short falls. This was done because we were still learning the effects of property tax caps and concerned about income estimates. Due to the hard work of many involved this \$500,000 was not touched in 2014, 2015, 2016, 2017, or 2018. 2019 was the first year we did not choose to appropriate the RDF \$500,000 and it is not in the 2020 budget.

Our net assessed value is still increasing. 2019 value is \$1,196,721,654, which is still lower than our value in 2007 which was \$1,291,864,430. In 2020 we are expecting to see our net assessed value to finally surpass the value we had in 2007. It has taken our net assessed value 13 years to recover from the economic downturn. It is important to remember we survived this time with much lower cash balances than we currently have. 2020 will also represent the 2nd year in a row that our tax rate has decreased.

Our Circuit Breaker losses are becoming more predictable as each year passes. The amount we lose each year is also lessening each year that our assessed value increases. The City has absorbed over \$32,000,000 of lost revenue due to circuit breaker losses. The largest loss was \$5,300,000 in 2017. 2019 losses came to \$2,690,000 and we are estimating \$2,790,000 loss in 2020. We learn the exact losses each year when tax bills go out in the spring.



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We will need to continue watching our dollars and working to find efficiencies. As I stated earlier it is time we utilize more of our yearly budget to better our community. It is my intention to protect our cash balances, and hold them in the five to six month range. If we grow these balances to large, I fear we are crossing the other side of the line of proper fiscal management of our community's monies. Knowing the number of projects we have on our lists, it is time to build our community instead of our savings accounts. There will be a day in Goshen when this trend turns around again. When that happens we will have healthy reserve funds and we can revert back to a savings mode.

The Department Heads turned in very reasonable requests to me. The majority of the increases to the 2019 budget are due to the 2.5% raise in wages and the rising cost of health insurance. We were successful in adding staff in 2017 and 2018. No staff was added in 2019. This budget does include a request for additional staffing in Central Garage, Street Department and the Police Department. Each of these departments is requesting one additional staff member for 2020. These numbers have been included in the 2020 budget but I have informed the departments that I want to hold off on hiring of any new positions until we have our budget approval from the state and I have a better feel for our actual income in early spring. If at that time the budget is looking tight these positions will not be added in 2020.

The new Environmental Department is included in this budget at the amount of \$525,529. This represents the discussions we had during the creation of this department and accounts for the \$75,000 cut which has already been taken out of the original amounts discussed.

During our October 1 council meeting we will have a budget overview given by Baker Tilly. I will then run through some additional pieces I would like to point out. Most of these will be pointed out as we go through each department's budget. In the past the council has passed the budget on first reading which allows more time for your review. I would respectfully request that any council member who has any suggested cuts utilize the time to set meetings with me to discuss these potential cuts. I will bring in the appropriate department head to discuss with us the results of those potential cuts. I am sure we can either explain why we are asking for additional funds or find some middle ground with the council to ensure we are all moving in the same direction. I and the department heads will commit to the continued responsible management of our budget that has allowed us to build cash balances higher than they have been in the past.

Overall I feel good about this coming year's budget and will work hard to respect and watch the additional dollars being requested. We need to do whatever we can to take care of the great employees that serve this community all while protecting the interests of all of our residents and the future of our youth.



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As always I am honored to work with the other elected officials, City staff, board and commission members, businesses, non-profits and residents in our common goal to help build Goshen to be a more inclusive, safer, and more prosperous community for all.

As a community we are truly working together for the common good, in order to create something uncommonly great!

Very Respectfully Submitted,

A handwritten signature in purple ink, appearing to read "JPM", with a long horizontal flourish extending to the right.

Mayor Jeremy Stutsman