

**THE COMMON COUNCIL OF THE CIVIL CITY OF NEW ALBANY, INDIANA,
HELD A BUDGET HEARING AT NEW ALBANY CITY HALL IN ROOM 100 ON
WEDNESDAY, SEPTEMBER 7, 2022 AT 6:00 P.M.**

MEMBERS PRESENT: Council Members Mrs. Collier, Mr. Dickey, Mr. Phipps, Mrs. McLaughlin, Mr. Turner, Mr. Blair, Mr. Aebersold, Dr. Knable and President Applegate.

ALSO PRESENT: Shane Gibson, Linda Moeller, Amy Stein and Vicki Glotzbach

President Applegate called the meeting to order at 6:00 p.m.

Mr. Gibson placed two packets on their desks and stated that they always go over the revenues first in the budget process and in the future, he would like to just do that on a regular council night. He said that it doesn't take as long as what the actual budget components do. He then stated that they will go through the two packets and basically, they have to show a ballpark of what the estimates are that we will be dealing with from a revenue standpoint. He said that the general fund consists of property tax, local income tax, aircraft excise tax, gasoline excise tax, cigarette tax and a few other things. It also includes miscellaneous income generated through city operations or whatever else. He then asked the council members to go to the second page and said that they will come back to first which is the summary. He stated that the items highlighted in blue are information that we received from the state which is either information that we receive and/or income that we receive. He said they will see where he mentioned the aircraft auto tax and the financial institution tax which are the first two. He stated that then it is the local income tax which is estimated at \$7.9M for next year followed by the liquor excise tax and the cigarette tax. He said that those blue highlighted aspects are generated through the state and we get that those estimates from the state budget committee through the Department of Local Government Finance. He added that you can pull those numbers anytime yourself for any county or city from the Department of Local Government Finance website. He stated that if you go to the very next page, that is the sheet that he was just talking about with respect to local income tax. He said that the budget estimates for revenue for 2023 at this point are \$7.9 M local income tax that goes into the general fund and \$4.3M is the local income tax that goes into the EDIT fund, so combine those together and that is the local income tax that the city gets with respect to this kind of revenue. He stated that the following page after the state one is another state/local DLGF form and it breaks down the cigarette tax, the financial institution tax and everything else that he has talked about. He said that is the number that we get from them and use in our budget estimates and it will correlate from 1/23 to 12/23 back over into our income calculations and spreadsheet for our miscellaneous revenue. He stated that this sheet also gives you what the distribution to the Motor Vehicle Highway (MVH) will be so that is the revenue we will have for disbursement for operations mainly for the street department.

Dr. Knable asked if the number for the cigarette and alcohol tax is for only what is sold locally or is it based on population.

Mr. Gibson stated that it is a contribution given by the state based on population. He said that the aircraft is also another bigger one for \$1.2M and we obviously don't have an airport so that is a distribution calculation from the state. He then stated that when you are curious about the ballpark amount of revenue of the Local Road and Streets (LRS), the MVH and the various components that he has been talking about, they are all on the form and you can also get that on the DLGF's own site. He said that it also has other information if you want it. He stated that it will go through other various calculations and budgets that are ultimately approved so it is a fairly useful site to go to and get those numbers and everything else. He stated that the following page is the actual levy income calculation. He stated that the 2022 maximum levy was \$18.9M and each year there is an assessed growth quotient that again comes from the DLGF. He said that he can't exactly tell them how that is because it is a really complicated calculation that they go through, but it has to do with farmland and everything else and it gives the estimate of what you can expect growth wise in your levy. He stated that this number is much higher and when we get into the income, it gives a history of what you see there but it is much higher at 5% than what it has been in the past. He said that his assumption on that is simply that assessed values for farm,

housing and everything went up. He stated that number is what is supplied to us from the state and you can calculate basically a 5% growth in your levy and that is what the \$19,933,191.00 number is.

Mr. Blair asked if the growth percentage was about 2% in previous years.

Mr. Gibson replied yes and stated that it has been anywhere from 2.5% to 3.5% and 3.5% has been kind of the constant.

Mr. Blair stated that obviously we have to look at our increase in costs and so forth but he is thinking that the growth factor is pretty much how they have been able to manage employee wages.

Mr. Gibson stated that this year is the highest he has seen it since he has been doing it. He said that if you take all of that information, that will help you come to the miscellaneous state revenue various things that you see there on the second page.

Mr. Blair asked Mr. Gibson to go back over page four.

Mr. Gibson stated that page 4 is part of the local income tax distribution and the amounts that are distributed to the various entities throughout our county. He said that none of these apply to us but it was part of the Floyd County report that they printed out.

Mr. Blair asked if they got all of that off of Gateway.

Mr. Gibson replied yes. He then stated that the packet that they just went over includes the majority of the balloon numbers that you see on the worksheet for the miscellaneous outside of the levy. He said that summary page is what he and Mrs. Moeller have worked on and anticipate to be the estimated amount of general fund money, but really at the end of the day, it is what funds are available to operate the city minus the LIT, Rainey Day and everything else. He stated, if necessary, at various times you can allocate some of your levy to another entity. He said that right now part of our levy is allocated to the parks cumulative cap fund and that was done well before any of us were here. He stated that is listed that \$86,000.00 automatically comes off of our levy and goes to that fund and that is a percentage (.00016) that was allocated several decades ago by previous councils. He said that helps fund some smaller projects and capital things in the parks system. He added that is partly left over from when it was set up in the 90s when there was the joint interlocal parks agreement and it was set up that way to help fund a little bit of money over to that agreement.

Dr. Knable asked if that is still relevant or would it be better for that to go away by ordinance or be updated to allocate more?

Mr. Gibson replied no and stated that he can't make a recommendation to reallocate this \$86,000.00 because it is already sliced off of the top, but you could add more.

Dr. Knable asked if it would be worthwhile to get rid of it or is it just a column that you are used to seeing? He also asked if it would be cleaner to just remove it by ordinance and let it revert to how it had been before the joint agreement.

Mr. Gibson stated that we use it and it is part of their operations so if they need to do a playground, or if it needs to be used for various other things. He said so it is used in that fashion and he thinks that they would continue to use it for those smaller things.

Dr. Knable stated that it sounds like if it is not broken, don't fix it and that you're used to using it.

Mr. Gibson stated that they are used to using it, used to budgeting for it and used to seeing it.

Dr. Knable stated that he is not advocating taking money away from those types of projects at all; he was just wondering if it would clean up the balance sheet.

Mr. Applegate asked if it is right that we have our parks budget plus \$86,000.00 because of this?

Mr. Gibson stated that in the reports that the council receives, there is a parks cumulative cap and there is a small budget usually put in there and then that is used to fund smaller things. He said that the maximum levy that would be available to fund the general fund from the property tax would be about \$19.8M and that is the bottom number. He stated that he doesn't use that number even though according to DLGF, SBOA and everyone else, he can use that number for budgeting but we do have the property tax gaps that were passed a number of years ago and those kind of kick in and you have to adjust for them. He said that you could say that we are going to get \$19.8M but once those estimates, assessed values and everything comes in, the property tax gap kicks in and actually reduces that amount. He stated that when they are doing budgets, they factor about 65% of that into the budget because he doesn't want to get half way through the year and realize that they didn't calculate that right.

Mr. Aebersold stated that with that percentage of difference in there for the last ten years, he asked if they have ever figured out how close we were with not factoring that in there.

Mr. Gibson replied no and stated that there are so many different things to factor in there and we may get an additional \$3M in that miscellaneous column that he talked about. He said that these are pure estimates at the end of the day. He stated that he factors in that amount because we usually get additional revenues in various sources for various other things depending on what is going on and that has consistently worked for him. He said that the number he has used for budgeting is almost \$18.1M from the general property taxes plus the \$12.7M in miscellaneous which brings us to about a \$30.8M budget that they will be presenting to the council for the general fund.

Mr. Applegate stated that a couple of years ago whenever COVID was going on, property taxes were pushed back and he asked if everything got caught up pretty much for the most part? He said that he knows they were kind of looking out a couple of years to figure if there would be a hit or everything would just kind of catch right back up.

Mr. Gibson stated that there was some delay in some payments but it wasn't as much as they had anticipated. He said that he remembers that he and Mr. Blair had a conversation about the Local Income Tax (LIT) and they were worried about the dramatic drop which didn't really happen. He stated that he can't tell them why, but based upon collections and upon Indiana's taxpayer returns, it ultimately panned out. He mentioned that they will be dealing with sewer at a later date since they did have an executive order on that as well. There are also some state/local options that they will be sending letters out about to help people bring their bills current. He added that financially the sewer is doing okay so they aren't in a hurry to force anyone into financial difficulty.

Mr. Dickey stated that this letter coinciding with the new cloud system is a great tag team effort to get people paid up.

Mr. Gibson explained that they have a new online product coming out in the next few months that allows residents to pay and review their bills online. He stated that this sums up \$30.8M and if they are simply asking about the difference between the two years it is the 5% which is a pretty good chunk of the \$900,000.00. He added that they have additional revenues coming in through grants in the amount of ~\$675,000.00 that is being factored in and this adds to what makes up the largest jump. He started discussions regarding LIT, LRS, Rainy Day and River Boat projections. **RAINY DAY** – he explained that it has stayed consistently at this number for a while and they don't really budget for it. He stated that there really isn't a different in the funds in his opinion because they are all available to the council to budget, so it just comes down to risk value and how much they want to have available.

Mr. Blair stated that the surprising thing about that is there is no formula for it and while you would think the state would provide some guidelines, they don't.

Mr. Gibson stated that Rainy Day was setup a long time ago from income tax that came in some time after the actual due date. He explained that this is not done any longer so he isn't sure that it an actual requirement any longer or if it could be merged with something else. He added that he treats them all as the council and city's ability to fund.

Mr. Blair added that it ends up being the last thing they would touch and the good thing is that they don't have to fund it.

Mr. Gibson stated that he does have it projected out to 2035 and if something were to happen, it is there. **LRS** – he explained that this correlates back to the sheet they reviewed in the general fund packet and stated that the revenue expected for next year is \$723,508.00. He added that this fund seems to be pretty consistent throughout the year and he has used \$700,000.00 as an estimate. He explained that for each account he gives them a history along with a 5-10 year average so they can see where each one is at. He stated that the 5 year average for LRS is \$704,000.00 which is why he keeps around that number, but he will adjust it as they move forward each year to the number provided by the state. He explained that these are specific funds so they are a little different than funds like EDIT because they have to be used for local roads and streets. He added that the state has already indicated that \$700,000.00 is a little low from what they say New Albany is going to get so hopefully the trend continues and that number will keep growing and increasing the balance. **RIVER BOAT** – he explained that the city gets part of the admissions (they don't charge admission but they do keep track of it) from the boat through an agreement with Harrison County via a state requirement. He mentioned that he doesn't think they have received it this year so Mrs. Moeller will make a phone call to check on it. He stated that he does use a conservative number on this fund and explained that the better the boat does, the more money they city gets. He added that it is based on a calculated percentage of the number of people walking through the door, not winnings/losings. He stated that he provided a history of the fund but it doesn't include 2022 because as he mentioned they haven't received that yet and it has been inching back up recently. He mentioned with the new casino, they may see even more of an increase, and from what Mayor Gahan has indicated, after meeting with the foundation they are pleased with how things are going since the change. He stated that the \$806,000.00 number is based on the five year average and he erred on the conservative side with \$750,000.00, but if they get more than this it will stay in the fund until it is budgeted. He explained that this item has been fairly consistent over the years and the one new item that was added is \$100,000.00 is municipal election expenses. He stated that city government is tasked with paying for this and he has estimated it at \$300,000.00 with the other \$200,000.00 coming from EDIT.

Mr. Turner asked how much it was in 2019?

Mr. Gibson explained that they budgeted \$250,000.00 but they still have an outstanding balance of \$80,000.00. **LIT** – he explained that this number funds Communications and used to be EDIT but was changed numerous years ago. He added that he isn't sure why they haven't made the final change to make it part of the revenue because the limitations for what it could be used for were eliminated a long time ago. He explained that in 2023 they have about \$4.3M coming in based upon the DLGF estimates and they have continued the \$1.7M that was budgeted before. He added that the only change is the election expense that they previously talked about. He stated that if they reference the history sheet it details the percentage increase/decrease of what they have received from local income tax specifically to this fund. He explained that 2022 took an expected hit but it ended up not being as dramatic as they anticipated so the increase from 2022-2023 is 2%. He stated that using those three years alone is likely not the best estimate but he did show various options with five, seven, twelve and fifteen year estimates to see what the best averages were. He added that he used the ten year average which seemed a little more consistent and he used this number because he is estimating out until 2035 and this will give them a visual of how this will look moving forward. He explained that the very last page shows what the city is spending, what is available and budgeted. He added that they have been

consistent, if not one of the best in the state, in receiving the Community Crossings Grant of \$1M and he is hoping/anticipating receiving that again this year, which will give them about \$4.4M in road improvement funds.

Mr. Blair asked if he knows how much the cost of that type of construction has gone up.

Mr. Gibson stated that he doesn't off the top of his head but he knows it is a decent amount and the demand is very high so contractors are in demand.

Mr. Blair stated that INDOT was saying a few years ago that they need to be around \$4.5M in road resurfacing alone, but obviously costs have gone up since then and he'd like to know what type of inflation factor to use on these projects. He added that his gut feeling is that they need to put more money towards roads because they only did ~1/3 of the roads in his district that needed repairs. He added that unfortunately a lot of them got stuck with the way the previous administration approached paving and now they are playing catch-up from that era and it is hard to catch up. He stated that they want to at least allocate their regular yearly maintenance expense and he just doesn't know what that would be today.

Mr. Gibson stated that he will try to get that number for him but there is no doubt that it has increased. He explained that they have also changed the dynamics of the projects slightly as well that goes beyond just slapping another layer of asphalt on the road so that changes what the costs are.

Mr. Blair stated that sometimes they mill up a road and end up having to build a new base and redo gutters and sidewalks so it is definitely a lot more costly.

Mr. Gibson stated that it is better product but it does affect how much they can do each year.

Mr. Blair stated that everyone wants their roads worked on and he understands that it is upsetting to see those around you getting theirs taken care of but not your own, so he does try to explain to his constituents that they are on the list and it will get done.

Mr. Gibson stated that this doesn't include the TIF number because it is a harder calculation as they use it for various things if it is the right area, but they have used it in the past to extend the ability to do some more roads if they can and will continue to do so in the future.

Mr. Blair mentioned that there is one section of Charlestown Road that really needs to be done but it isn't in a TIF district and will be very expensive to improve.

Mr. Applegate stated that he thought some of that got paved this year a little further down.

Mr. Gibson stated that he knows it isn't the ideal number but from an administration standpoint they are not against more road/sidewalk improvements if there is funds available

Mr. Applegate asked if there is any way to get an estimate from Clark Dietz regarding what they estimate they will get to, and later on what they estimate they will be short on because costs have gone up?

Mr. Gibson stated that they already have an accepted bid they are operating under and will do the same for next year. He added that next year, if they bid a certain amount but find out it will only equal to a lower amount due to higher costs, they can come back to the council for an additional appropriation out of the additional funds.

Mr. Applegate stated that he thinks that might be a good way to do it next year.

Mr. Blair stated that the question is how much they should be allocating to road resurfacing.

Mr. Dickey stated that they should be able to give them that number based on the asset plan.

Mr. Gibson stated that they can but there are budgetary restraints that will limit that ability.

Mr. Blair stated that they should know what the number should be to do the regular or routine yearly maintenance to see if they are behind or on track.

Mr. Applegate stated that the rating system that they have is working.

Mr. Blair agreed and stated that they are making real progress.

Mr. Gibson stated that he is thinking that Mr. Christmas with Clark Dietz has done this in the past and he will check with him. He explained that assuming the city gets the \$3.4M + \$1.1M, that still leaves \$1.6M available for additional items if necessary, whether that is additional paving or something else that may interest the council.

Mr. Blair asked if the administration expects any projects that they would want to use that additional money for and added that the one on his mind is the police station.

Mr. Gibson stated that they aren't looking to use these funds for that and added when they get to the police budget they will be presenting them with a financial plan that hopefully makes sense.

Mr. Blair asked if everything they expect for next year is budget for.

Mr. Gibson replied yes with the exception of anything small that may come up. He reminded them that he sent an email suggesting an additional date on the 28th for a budget hearing.

Mr. Blair asked if he could zoom in for that meeting?

Mr. Applegate replied yes.

Mr. Gibson stated that there is enough time for Mr. Walker to set that up, but the good thing is that it is a workshop with no decisions being made so there are no requirements regarding the number of attendees.

ADJOURN:

There being no further business before the board, the meeting adjourned at 6:56 p.m.

Jason Applegate, President

Vicki Glotzbach, City Clerk