FILED
AUG 22 2017
CITY CLERK

Edwards,Michelle

From: Nasser,Karrum
Sent: Monday, August 21, 2017 4:58 PM
To: Ellis,Leslie; Auler,Amy; Azar, George; Crossen,Martha; DeBaun,Curtis; Elliott,Earl; Garrison,Neil; Morris,Don; Nation,Todd
Cc: Bennett,Duke A; Felling,Darrell; Edwards,Michelle
Subject: Re: Budget Process

Thanks Leslie for the clarification. I am sure the council would have appreciated this explanation during reports from governmental agencies at our August regular meeting.

With your explanation below, the Mayor did not know about the notices until March when you completed the CTAR?

Thanks
Karrum

From: Ellis,Leslie
Sent: Monday, August 21, 2017 4:34 PM
To: Auler,Amy; Azar, George; Crossen,Martha; DeBaun,Curtis; Elliott,Earl; Garrison,Neil; Morris,Don; Nasser,Karrum; Nation,Todd
Cc: Bennett,Duke A; Felling,Darrell; Edwards,Michelle
Subject: Budget Process

Council Members,

Each year the Administration starts creating the budgets for the following year in May. We continue to refine the budgets and update information as it becomes available until the City Council votes on the final budget. The budget must be approved by the City Council and submitted to the Department of Local Government and Finance (DLGF) by November 1 each year. After the budget is approved and submitted to the DLGF, there is no activity until the preliminary 1782 Notice is received. In past years, the Administration has not distributed the 1782 Notice; we just make the needed adjustments if required and bring the proper appropriations to the City Council for approval. However, last year Councilman Nasser requested a copy of the 2016 1782 Notice so it was forwarded to all City Council Members.

There was a major change made by the State Legislature in 2016 regarding the 2017 Budget. The Circuit Breaker was required to be included in the DLGF's budgeting process. In the past, the Circuit Breaker itself was not required by the DLGF in determining whether a budget was fundable or not. It was up to each individual unit to determine how to reflect the loss of tax revenue in their submitted budgets. We were not exactly sure how the DLGF would handle this with our specific budget until we received our 1782 Notice. The bottom line is that they added the Circuit Breaker amount, which is a revenue loss due to the property tax caps, to the Form 1 – Budget expense. In essence, the DLGF increased our 2017 budget expenses by the Circuit Breaker loss that we had been carrying. The result is that the unit has to make up the entire deficit in one year.

The DLGF is required to send a 1782 Notice to all units by February 15 per State Statute. Once the 1782 Notice is received by the unit, the DLGF allows 10 calendar days to respond but I believed we had 10 business days to respond. After analyzing the DLGF's calculations and reviewing our actual year end numbers, it was too late to make any changes. We could not have formulated a detailed plan in the allotted time period anyway. The 1782 Notice was released on a Friday afternoon which meant we really only had 6 business days to work on it. Later on we learned that had we just entered zeros for the Circuit Breaker then the budgets would have been approved. We entered an actual estimate (as requested) of what we thought the Circuit Breaker would be for each budget.

In March, we completed the state required CTAR with our end of the year numbers. We forwarded our financials to HJ Umbaugh and they began working our Comprehensive Financial Plan (CFP) that would specifically include the budgets that had been reduced. Given the difficulty and intricacies of addressing the 2017 issue, we felt it not prudent to formally release the document until we had a workable plan to make funding adjustments and fix the issue. We were waiting for the completed plan so we could begin to share our strategy with the City Council. Once the plan draft was completed, the Administration met with Councilman Elliott and HJ Umbaugh to review. Additional updates to the plan were still necessary and we have been working to get a meeting set up with the DLGF. That meeting is set for tomorrow at City Hall.

Sharing the 1782 Notice prior to having a plan was not a matter of transparency, but rather a matter of appropriate timing. There was nothing the City Council could do until the CFP was finished and the Administration and the Council had options. Without the CFP we did not have the tools to complete the plan. HJ Umbaugh will be presenting the CFP details during the September City Council meeting.

We have formulated a very good plan of action with the aid of the CFP and several advisors. The City will be able to fund the expenses in the General Fund, the Parks Fund, the Transit Fund and the Police Pension Fund with a combination of actions. This current plan will help us eliminate the deficits, begin to accumulate cash balances and make the City of Terre Haute much more fiscally sound.

Sincerely,

Leslie Ellis
City Controller