

**Earl Elliott**

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**From:** Earl Elliott <elliott@sackrider.com>  
**Sent:** Monday, September 16, 2013 4:43 PM  
**To:** 'Jones, Dan (DLGF)'  
**Subject:** RE: City of TH - form 4b

**FILED**

JUL 16 2015

**CITY CLERK**

Dan, Thanks, that is what I thought but really needed to be right on this one. Earl

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**From:** Jones, Dan (DLGF) [mailto:DJones@dlgf.IN.gov]  
**Sent:** Monday, September 16, 2013 4:35 PM  
**To:** elliott@sackrider.com  
**Subject:** RE: City of TH - form 4b

Earl,

That's what I think "fundable" budget would mean. It would indicate a positive number on line 11 for operating balance. That's also the definition of "balanced budget" or "funded budget."

**Dan Jones**

Assistant Director, Budget Division  
Department of Local Government Finance  
Indiana Government Center North  
100 N. Senate Avenue, Room N1058(B)  
Indianapolis, Indiana 46204  
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**From:** Earl Elliott [mailto:elliott@sackrider.com]  
**Sent:** Monday, September 16, 2013 4:15 PM  
**To:** Jones, Dan (DLGF)  
**Subject:** FW: City of TH - form 4b

Dan, One of the Terre Haute City Council members asked our Mayor at their council meeting last Thursday just what does the term "fundable budget" mean. This is a term that the Mayor and City controller use? The mayor responded something to the effect that this was a DLGF term meaning that the budget is approvable by DLGF. Does the term "fundable budget" mean anything to DLGF in general or to you in particular?

A couple of weeks ago I believe you told me that a budget will be approved by DLGF as long as the operating balance on line 11 of Form 4-B is positive. This could be in spite of a levy amount on line 1 4 of form 4-B that may be well in excess of the actual amount of property tax expected to be received due to the caps and the circuit breaker. Form 4-B is attached for your convenience and for another question I will send to you in a separate email.

Does "fundable budget simply a positive balance appears on line 11 of form 4-B?

Budget time sure is fun for City Councils!!

Thanks you for your assistance. Earl

**From:** [contact@sackrider.com](mailto:contact@sackrider.com) [mailto:contact@sackrider.com]

**Sent:** Monday, September 16, 2013 3:38 PM

**To:** Earl E.

**Subject:** City of TH - form 4b

Report Builder » Select Report » Budget Estimate - Financial Statement - Tax Rate Report

# Report Builder: Budget Estimate - Financial Statement - Tax Rate Report

County:  Year:   
 Unit Type:  Unit:   
 Fund:

1 of 1 Find | Next

## Budget Estimate - Financial Statement - Proposed Tax Rate

Unit Name: Terre Haute Civil City, Vigo County  
 Year: 2015  
 Fund: General

*FORM 4-B*

Estimate of Net Assessed Value Used for Published and Adopted Amounts	Certified Net Assessed Value
\$1,594,103,404	\$1,629,993,928

Funds Required For Expenses To December 31st Of Incoming Year	Published Amount	Adopted Amount	Certified Amount
1. Total budget estimate for incoming year - 2015	\$34,661,000	\$34,493,638	\$34,493,638
2. Necessary expenditures, July 1 to December 31 of present year, to be made from appropriation unexpended 2014	\$16,796,005	\$16,796,005	\$17,376,561
3. Additional appropriation necessary to be made July 1 to December 31 of present year	\$0	\$0	\$0
4. Outstanding temporary loans:			
a). To be paid not included in lines 2 or 3	\$0	4,995,000	\$4,995,000
b). Not repaid by December 31 of present year	\$0	\$0	\$0
5. TOTAL FUNDS required (add lines 1,2,3,4a and 4b) 18 MONTHS	\$51,457,005	\$56,284,643	\$56,865,199 <i>\$\$\$ OUT</i>
<b>Funds On Hand To Be Received From Sources Other Than Proposed Tax Levy</b>			
	Published Amount	Adopted Amount	Certified Amount
6. Actual cash balance, June 30 of present year (including cash investments) 6/30/14	\$-1,867,287	\$-1,867,287	(\$1,867,287)
7. Taxes to be collected, present year (December settlement)	\$7,811,334	\$7,811,334	\$7,348,786
8. Miscellaneous revenue to be received July 1 of present year to December 31 of incoming year (Schedule on File):			
a). Total Column A Budget Form 2	\$11,990,042	\$12,411,042 <i>FROM PAGE 5</i>	\$12,327,566 <i>VS 7,187,221 ON PAGE 6</i>
b). Total Column B Budget Form 2	\$14,436,522	\$15,624,827 <i>FROM PAGE 5</i>	\$15,448,808 <i>SEPARATE 6</i>
9. TOTAL FUNDS (Add lines 6, 7, 8a and 8b) <i>AM AVAILABLE EXCLUDING 2015 PROPERTY TAX</i>	\$32,370,611	\$33,979,916	\$33,257,873
10. Net amount to be raised for expenses to December 31 of incoming year (deduct line 9 from 5)	\$19,086,394	\$22,304,727	\$23,607,326 <i>LINES 5 MINUS LINE 9</i>
<b>Proposed Tax Rate and Levy</b>			
	Published Amount	Adopted Amount	Certified Amount
11. Operating balance (not in excess of expense January 1 to June 30, less miscellaneous revenue for same period)	\$10,375,456	\$10,375,456	\$3,412,225 <i>LINE 12 MINUS LINE 10</i>
12. Amount to be raised by tax levy (add lines 10 and 11)	\$29,461,850	\$29,461,850	\$27,019,551

*LEVY AMOUNT USED. AMOUNT TO BE RECEIVED WILL BE MUCH LESS AT \$17,500,000 ±*

13a. Property Tax Replacement Credit from Local Option Tax	SEE FORM 2 CHANGES	\$0	\$0	\$1,544,376
13b. Operating LOIT		\$0	\$0	\$0
14. NET AMOUNT TO BE RAISED BY TAX LEVY (deduct line 13a and 13b from line 12)		\$29,461,850	\$29,461,850	\$25,475,175
15. Levy Excess Fund applied to current budget		\$0	\$0	\$0
16. Net amount to be raised		\$29,461,850	\$29,461,850	\$25,475,175
17. Net Tax Rate on each one hundred dollars of taxable property		1.8482	1.8482	1.5629

12/31/15 LINE 11 FROM PAGE (3) \$3,412,225  
 LESS: FROM PAGE (6) -  
 OVERSTATED MISCELLANEOUS REVENUE - 8,000,000  
 12/31/15 LINE 11 ADJUSTED \$ - 4,587,775 (A)

ADJUSTED LINE 11 MEANS BUDGET IS NOT FUNDABLE. LINE 1 SHOULD BE REDUCED.

12/31/15 ADJUSTED LINE 11 FROM ABOVE \$ - 4,587,775 (A)  
 2016 REVENUE: PROPERTY TAX \$ 17,500,000  
 MISCELLANEOUS + 12,000,000  
 \$ 29,500,000

2016 BUDGET ESTIMATE - USED 34,493,638 FROM 2015 LESS  
 \$ 650,000 ELECTION COST - 33,843,638 (B)

12/31/14 PROJECTED LINE 11 BALANCE \$ - 8,931,413 (C)

2016 PRELIMINARY BUDGET ESTIMATE \$ 33,843,638 (B)  
 REDUCTION TO ELIMINATE LINE 11 DEFICIT - 8,931,413 (C)  
 2016 FUNDABLE BUDGET ESTIMATE \$ 24,912,225

(4)

# Budget Form 2 - Estimate of Miscellaneous Revenue

Year: 2015 County: Vigo Unit: 0106 - Terre Haute Civil City

Fund: 0101 - GENERAL		July 1 - December 31, 2014	January 1 - December 31, 2015
Revenue Code	Revenue Name		
R102	County Adjusted Gross Income Tax (CAGIT) Certified Shares	\$1,836,718	\$3,673,436
R108	Other Taxes	\$0	\$0
R109	Alcoholic Beverage/Liquor Excise Tax Distribution	\$100,000	\$215,000
R110	Casino/Riverboat Distribution	\$360,086	\$360,086
R111	Cigarette Tax Distribution	\$21,000	\$42,000
R112	Financial Institution Tax distribution	\$165,000	\$320,000
R114	Motor Vehicle/Aircraft Excise Tax Distribution	\$653,000	\$1,306,000
R119	State, Federal, and Local Payments in Lieu of Taxes	\$2,772,000	\$2,772,000
R123	County Adjusted Gross Income Tax (CAGIT) Property Tax Replacement Credit	\$731,238	\$0
R135	Commercial Vehicle Excise Tax Distribution (CVET)	\$58,000	\$120,000
R136	ABC Gallonage Tax Distribution	\$33,000	\$100,000
R203	Planning, Zoning, and Building Permits and Fees	\$100,000	\$200,000
R210	Cable TV Licenses	\$0	\$401,305
R423	Other Charges for Services, Sales, and Fees	\$2,366,000	\$2,732,000
R502	Court Costs and Fees	\$160,000	\$328,000
R910	Transfers in - Transferred from Another Fund	\$0	\$0
R913	Other Receipts	\$55,000	\$55,000
R914	Grants and Distributions from Non-Governmental Entities	\$3,000,000	\$3,000,000
<b>GENERAL Total</b>		<b>\$12,411,042</b>	<b>\$15,624,827</b>

$\$ 61,000 \times 6 = \$ 366,000$   
 CAGIT ?  $\underline{\underline{2,000,000}}$   
 $\underline{\underline{2,366,000}}$

$\$ 61,000 \times 12 = \$ 732,000$   
 CAGIT ?  $\underline{\underline{2,000,000}}$   
 $\underline{\underline{2,732,000}}$

TOBACCO  
 CONEYDINE  
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 TOBACCO

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City of Terre Haute General Fund  
2014, 2015  
Overview of Miscellaneous Revenue

	<u>2014</u>	<u>2015</u>
Budgeted miscellaneous revenue per Budget Form 2	\$ 12,017,566	\$ 15,448,808
Actual miscellaneous revenue for 2014	<u>11,911,831</u>	
Difference	<u>\$ 105,735</u>	
Actual miscellaneous revenue for 2014	\$ 11,911,831	<u>(11,911,831)</u>
Actual miscellaneous revenue for 1/1 to 6/30/14	<u>(4,724,551)</u>	
Actual miscellaneous revenue for 7/1 to 12/31/14	7,187,280	TO BAGE (3)
Budgeted miscellaneous revenue for 7/1/14 to 12/31/14 per 2015 Form 2	<u>(12,327,566)</u>	
SHORTFALL	<u>\$ 5,140,286</u>	
INCREASE		<u>\$ 3,536,977</u>
Components of shortfall/Increase:		
Enterprise revenue/Powerdyne	\$ 3,000,000	\$ 3,000,000
Grant/unidentified	2,000,000	-
Other	<u>140,286</u>	<u>536,977</u>
	<u>\$ 5,140,286</u>	<u>\$ 3,536,977</u>

\$ 8,000,000 }  
TO BAGE 4

City of Terre Haute  
July, 2015  
Overview of "Fundable Budget" Concept

Enclosed you will find a copy of my email correspondence with Dan Jones of DLGF concerning the characteristics of a "fundable budget". I had previously mailed a copy of this email correspondence to all City Council members on September 12, 2014.

A positive operating balance on line 11 of Budget Form 4-B indicates a budget is fundable. That's it, pure and simple.

The balance on line 11 of the 2015 Budget Form 4-B is \$5,657,818. The certified operating balance on line 11 is \$3,412,225. As a result the budget was deemed to be fundable.

Line 8a of Certified Form 4-B reports \$12,327,566 of miscellaneous revenue for the period 7/1/14 to 12/31/14. Per enclosed schedule I prepared, actual miscellaneous revenue for this period was \$7,187,280. The shortfall is \$5,223,762. I believe the major components of this shortfall are the \$3,000,000 of enterprise revenue from Powerdyne that was not received and the \$2,000,000 unidentified grant that was not received.

Line 8b of Certified Form 4-B reports \$15,448,808 of miscellaneous revenue for 2015. I calculate 2014 actual miscellaneous revenue to be \$11,911,831 using amounts reported on the 2014 Detailed Receipts Report I obtained from the State's Gateway system. The increase is \$3,536,977. The major component of this increase is \$3,000,000 of enterprise revenue from Powerdyne.

We can now look back and ask if the 2015 budget would have been deemed "fundable" without the \$8,000,000 miscellaneous revenue mentioned above. I think the answer is no because subtracting \$8,000,000 from \$3,412,225 is a negative \$4,587,775. On page 4, I roll forward with 2016 activity using historical amounts to arrive at a 2016 fundable expense budget estimate of \$24,912,225.

I called a contact at DLGF and asked about the City Council's responsibility for budgeted revenue. The response was that revenue should be conservatively estimated and that City Council should review and be comfortable with revenue projections since the revenue is needed to fund the budgeted expenditures. If the Council is not comfortable with the revenue projections they should be revised to the level that the Council is comfortable.

One problem I have with Form 4-B is it allows the amount to be raised by the tax levy to be used as revenue in calculating the operating balance on line 11. The certified tax levy amount that appears on line 12 of Form 4-B is \$27,019,551. This is nearly \$10,000,000 more than the \$17,000,000 of general funds property tax receipts that are expected. This means you could have a "fundable budget" and a nearly \$10,000,000 general fund cash deficit could still result.

Going forward, please remember:

1. Accurate budgeted miscellaneous revenue is important to have an accurate budget. All budgeted miscellaneous revenue should be supportable.
2. The budget forms enable significant general fund cash deficits to result even with budgets that are deemed fundable.

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