



**Statement of Finances and  
General Condition of the City  
Mayor Kevin S. Smith**

# Where we were in 2004

<b>2004 Council approved budget</b>	<b>\$ 35,510,792</b>
<b>State-mandated budget reduction</b>	<b>\$ - 1,269,634</b>
<b>Smith Administration budget cuts</b>	<b>\$ - 922,401</b>
<b>Under spending</b>	<b><u>\$ - 826,205</u></b>
<b>Operating budget</b>	<b>\$ 32,492,552</b>
<b>2004 Total budget reduction</b>	<b>\$3,018,240</b>

# **Why the '04 budget reductions?**

- **To achieve reasonable operating balance**
- **Pay for emergency expenditures**
- **Cut unnecessary dollars**
- **Achieve cash-flow to avoid unnecessary borrowing**
- **Financial analysis revealed budget shortage**
- **Analysis revealed reduced income**

# **Efforts We've Made to Cut Costs and Gain New Revenue**

- **2004 budget cut and under-spending**
- **Elimination of vacation buy-back program**
- **Savings on liability insurance**
- **Department & management consolidation**
- **Voluntary early retirement savings**
- **Eliminate duplication of contract**
- **Centralized purchasing**
- **Local ordinance fines**
- **Fire hydrant rental fees**
- **Building permit fees updated**
- **Water rate study**
- **Federal dollars for Anderson**

# **Further Belt Cinching...**

- **Take-home car reductions**
- **In-house labor negotiations**
- **Fewer employees**
- **Increased productivity by departments**
- **Fortune Management properties titles cleared for return to tax roles**

# 2005 General Fund Budget

<b>Council approved budget</b>	<b>\$34,844,499</b>
<b>State-mandated budget reduction</b>	<b>\$ - 108,498</b>
<b>City-mandated budget cuts</b>	<b><u>\$ - 694,720</u></b>
<b>Operating budget</b>	<b>\$34,041,281</b>
<b>2005 Total budget reduction</b>	<b>\$ 803,218</b>

# **Financial Challenges**

- **Decreasing assessed property valuation**
- **Increasing health care costs**
- **Soaring pension fund cost**
- **Dwindling COIT distributions**
- **High city property tax rates**
- **Costs outpacing revenues**
- **Escalating compensation packages**

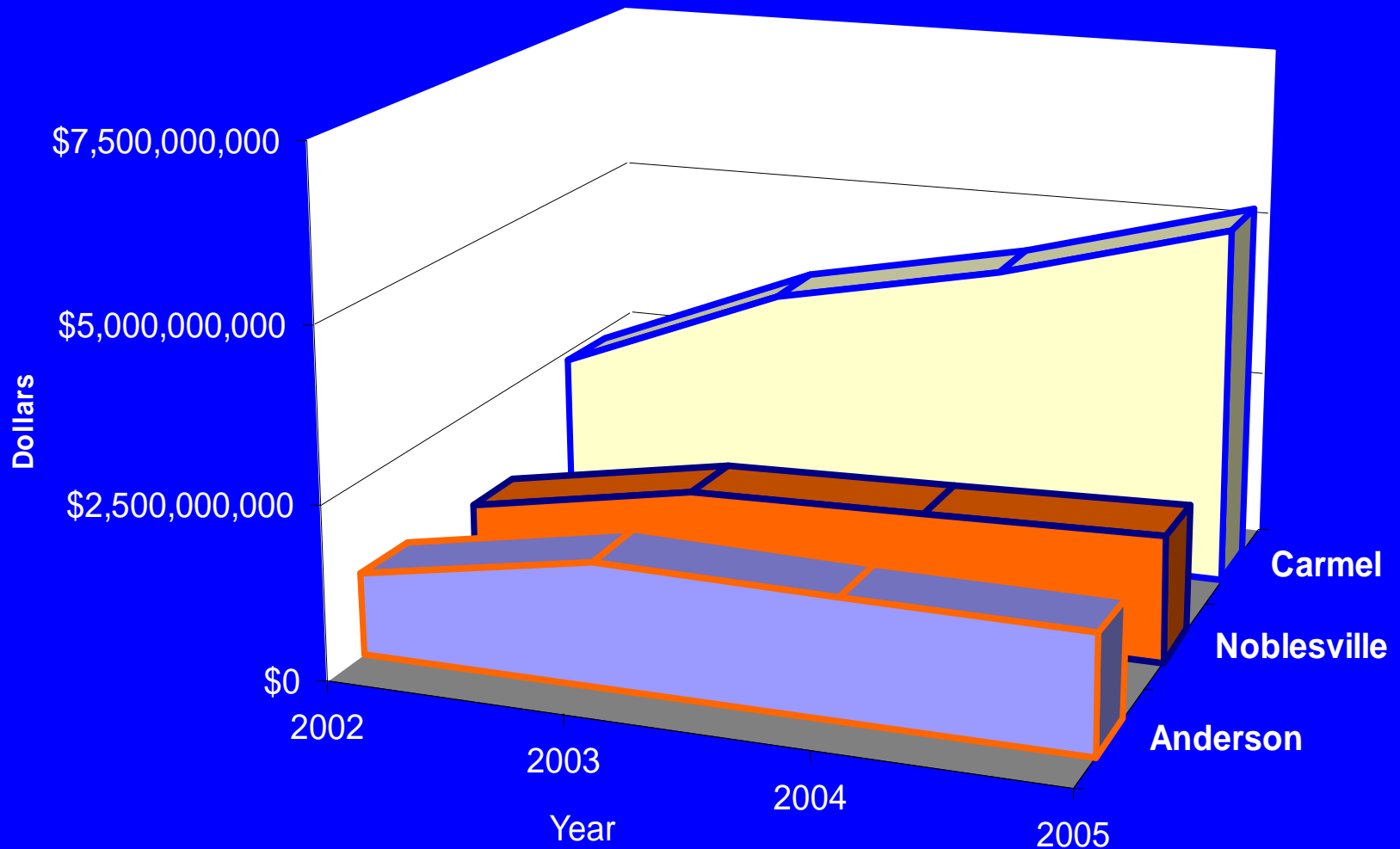
# **What Led to the Budget Challenge?**

- **Senate Bill 1 capped levy increases**
- **County Option Income Tax (COIT) decline**
- **Lack of infrastructure improvements**
- **Loss of community jobs**
- **Rising employee and retiree health care costs**
- **Decline in assessed valuation**
- **Property tax replacement credits (PTRC)**
- **Contractual compensation outpace revenue**

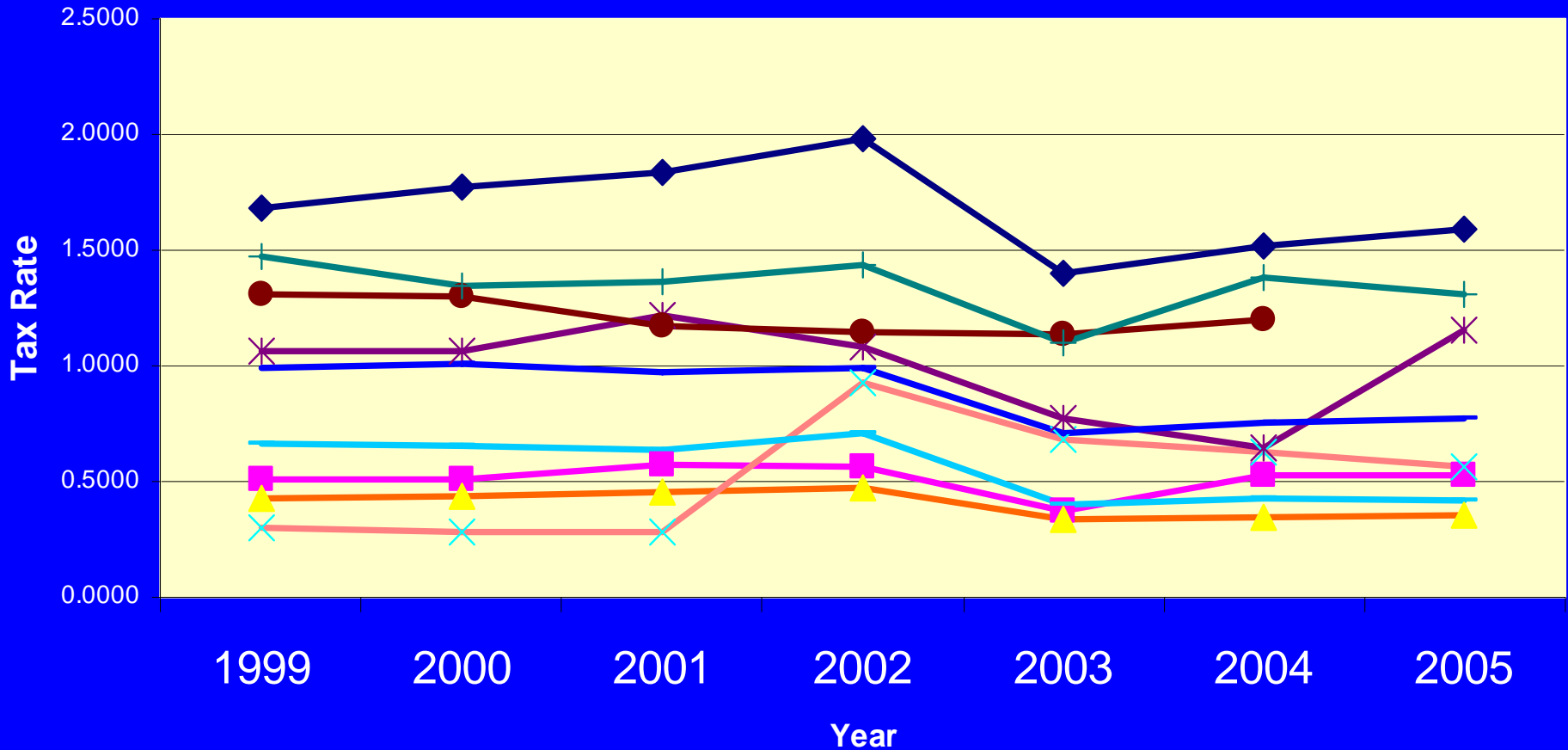
**In sum, City costs outpacing revenue sources**

# Assessed Valuations

Anderson • Noblesville • Carmel

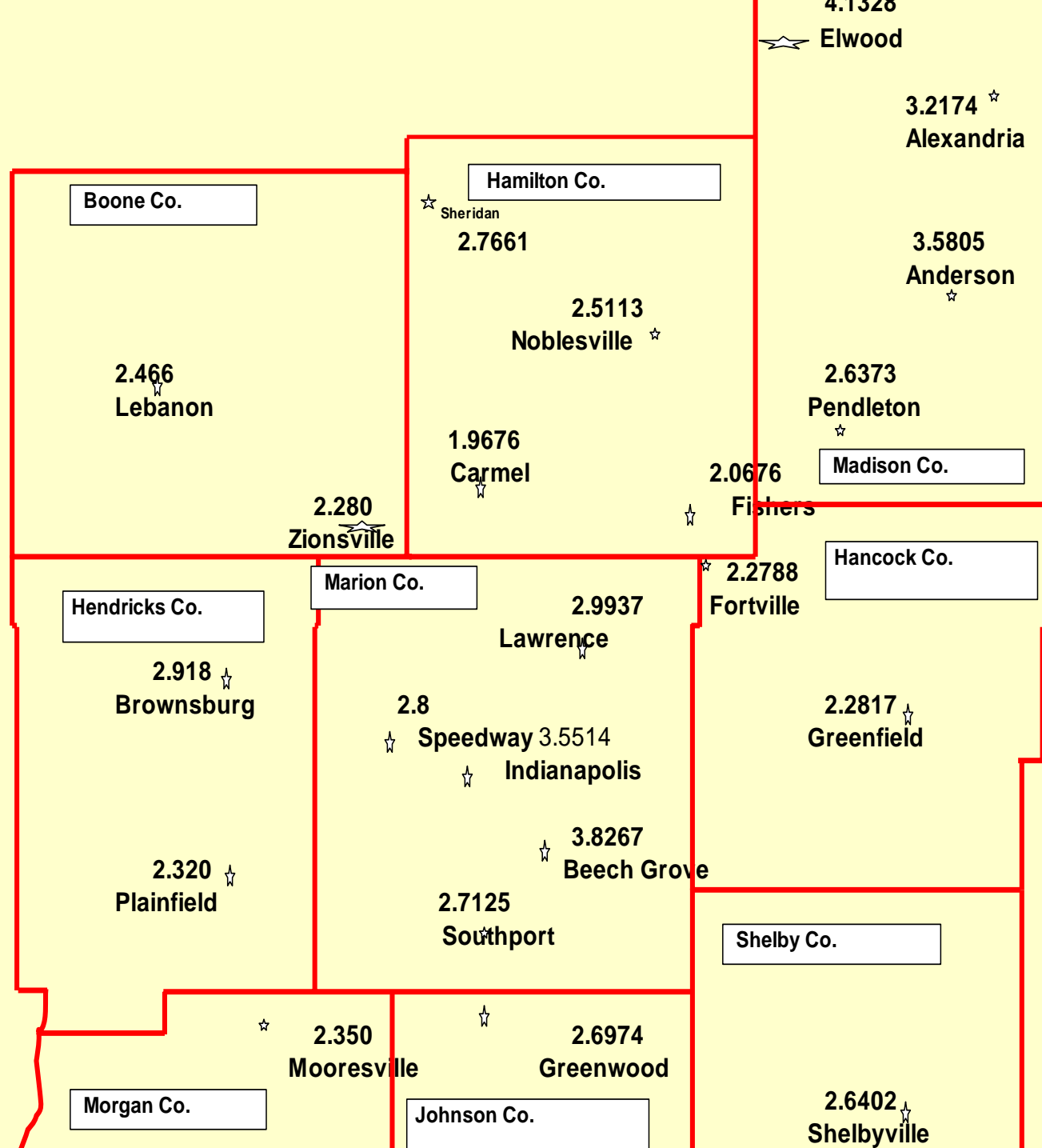


# Area City Property Tax Rates

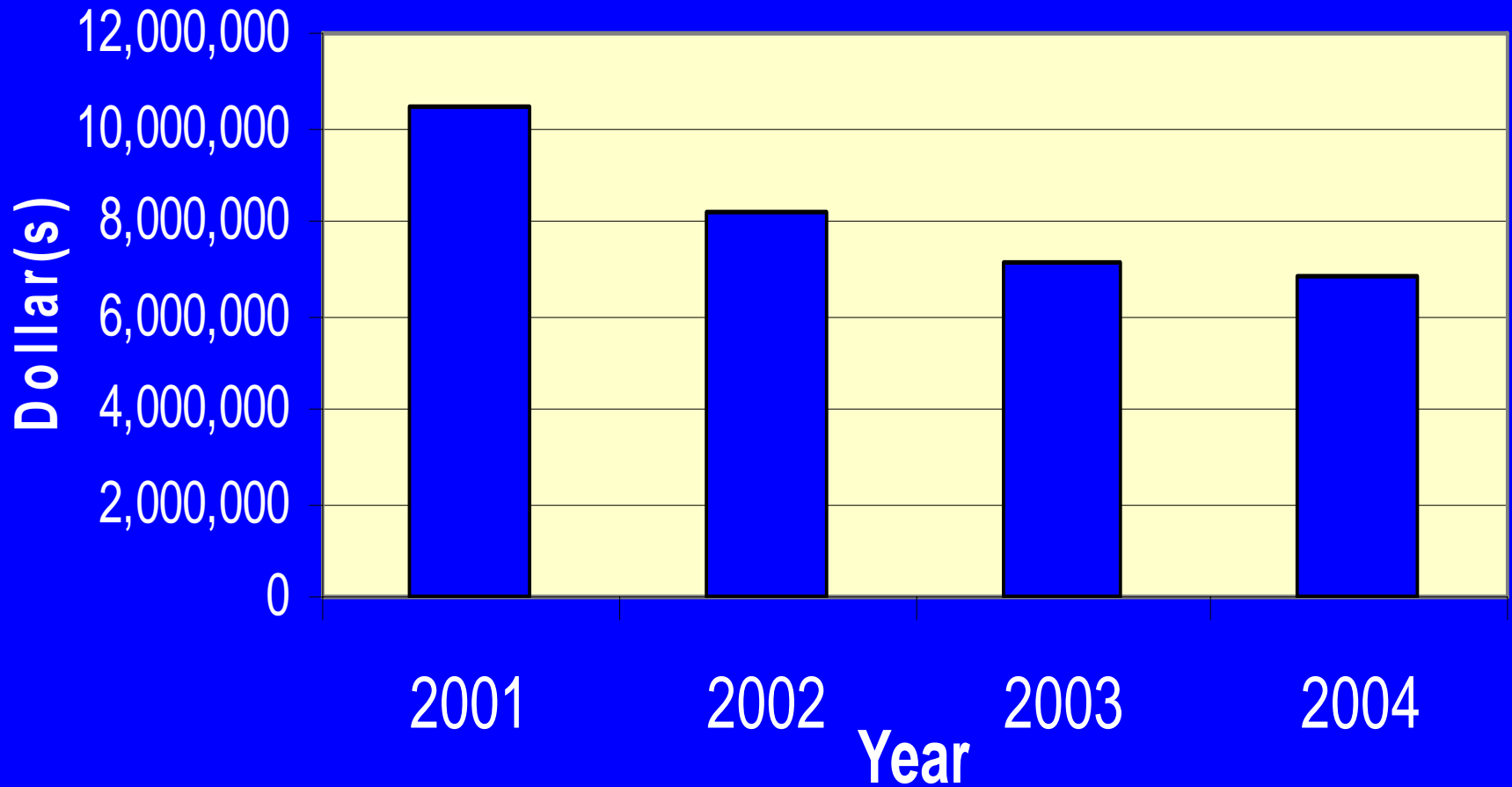


# Indianapolis Metropolitan Statistical Area

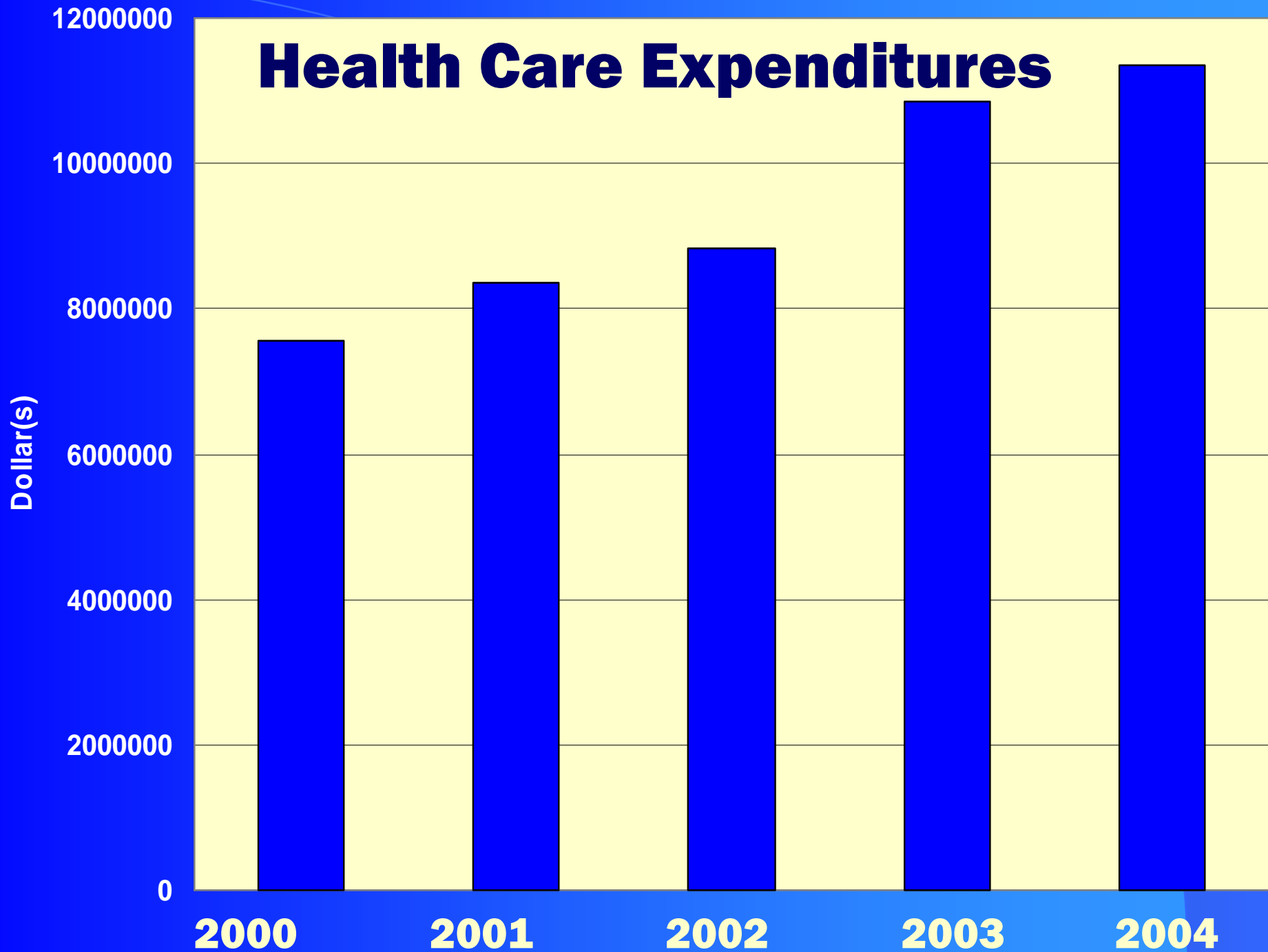
## 2004 Property Tax Rates



# County Option Income Tax (City Revenues)



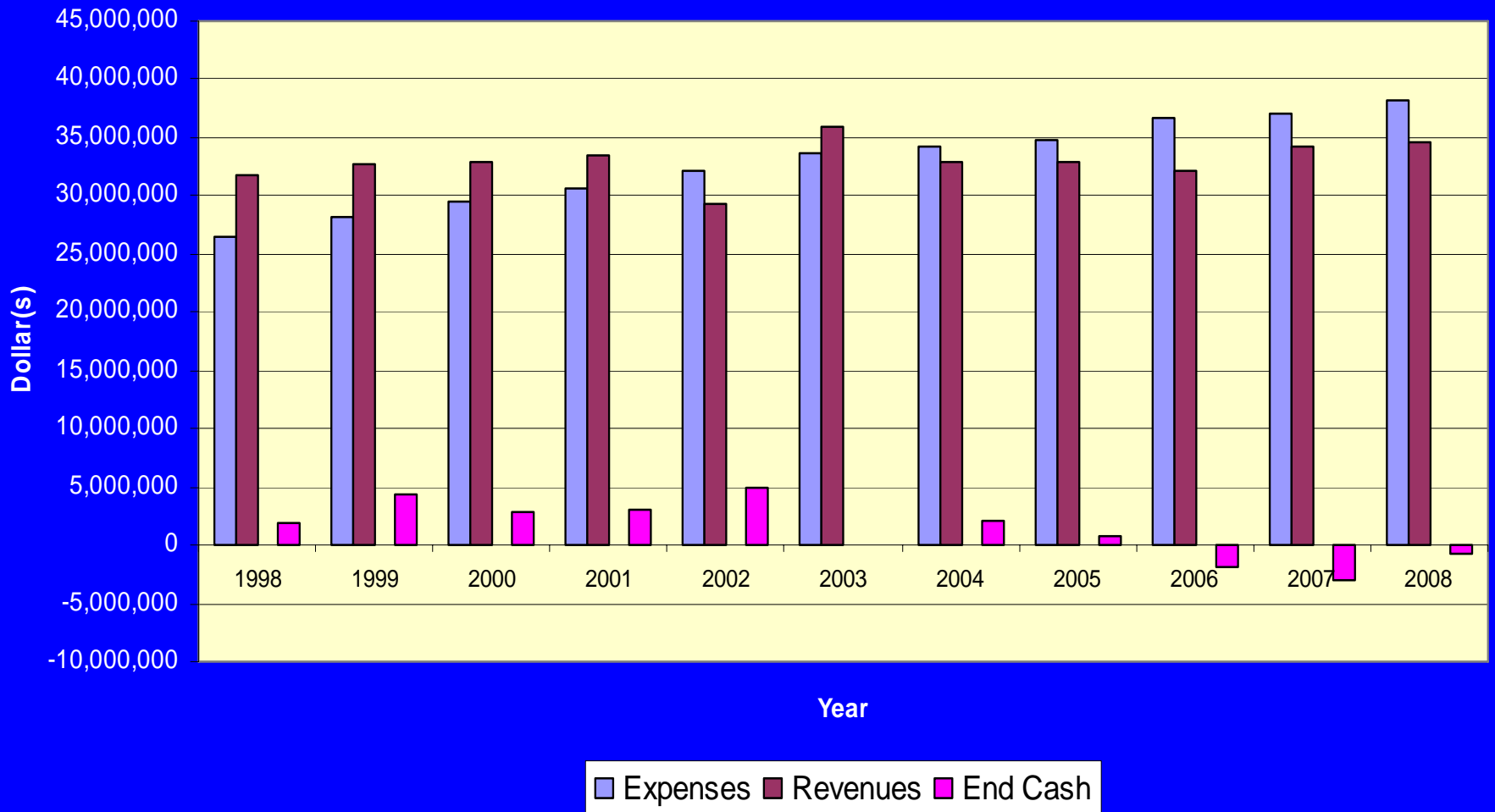
# Health Care Expenditures



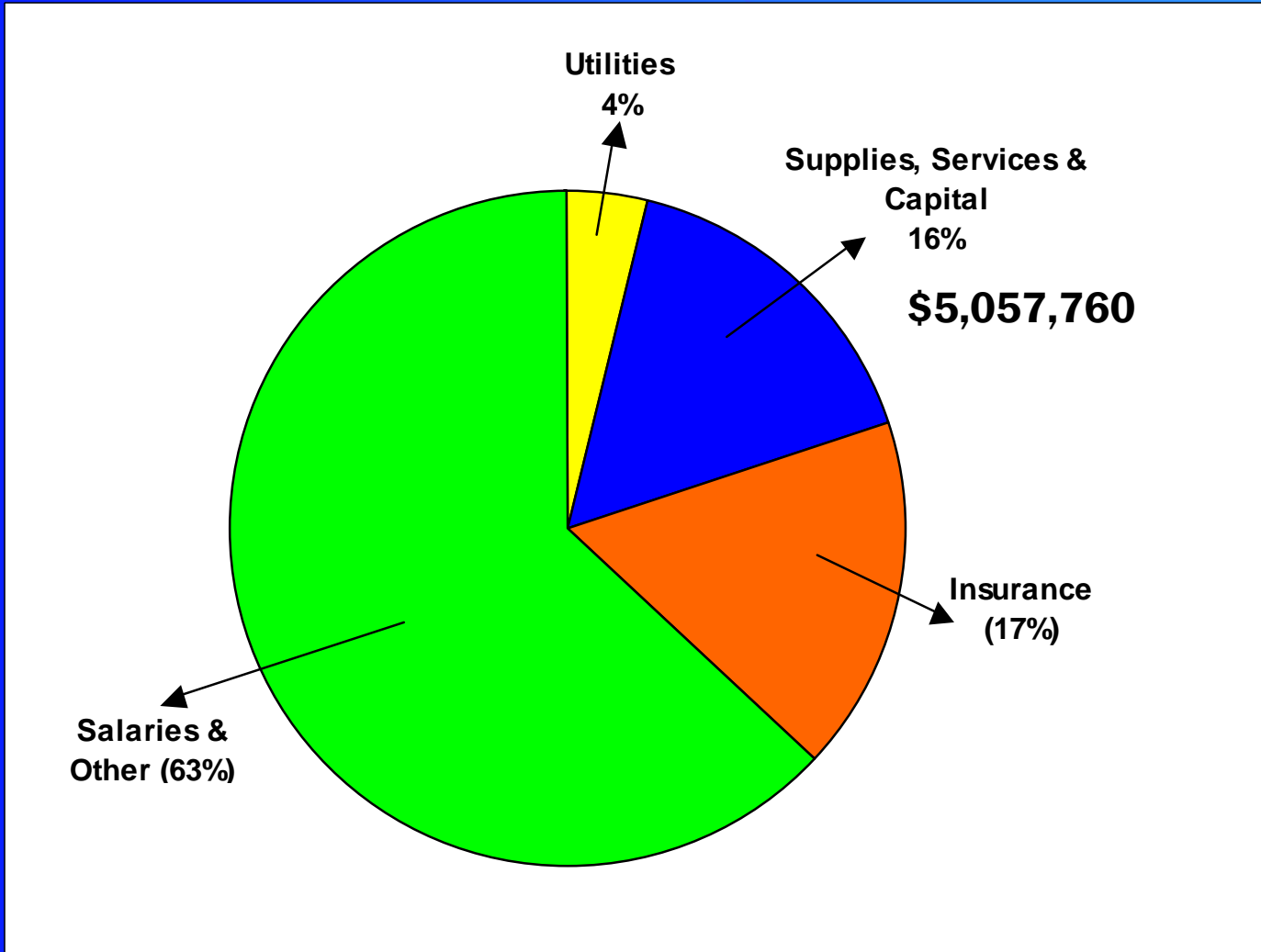
# Police & Fire Pension Funds



# Expense, Revenue and Cash



# Breakdown of 2005 General Fund Expenditures



# **Budget Objectives**

- **Balance budget and leave sufficient end-of-year balance to carry over to next year**
- **Operate City government in a fiscally frugal, prudent manner**
- **Maintain adequate work force**
- **Maintain essential City services**
- **Insure infrastructure is adequately maintained**

**Even after all current cost cutting:**

**Our future budgets will not balance at current employee costs and adequate infrastructure repairs.**

<b>2006</b>	<b>\$ - 1,843,112</b>
<b>2007</b>	<b>\$ - 2,945,286</b>



**State Law Caps the  
Amount the City of Anderson  
Tax Levy May Grow**

**Reductions must be made  
logically and with strong  
strategic intent**

# **2006 Budget must contain:**

- **Balanced budget**
- **On-going paving plan**
- **Responsible operating balance**
- **No tax rate increase**
- **No additional user fees**

# **Solutions**

## **Employee compensation package:**

### **■ Decrease vacation, sick, personal & holidays**

(Long term employee may have up to 11.6 weeks off per year)

- ◆ Two-year salary freeze**
- ◆ Cancel longevity compensation**
- ◆ Eliminate paid lunch**

# **Additional Solutions**

- **Utilize quartermaster system**
- **Eliminate full salary under workers compensation**
- **Shift General Fund employees to needed Utility funded positions.**
- **Continue department consolidation**
- **Continue to reduce through attrition**
- **Further reduce and standardize mobile fleet**
- **Additional grant funding**
- **Aggressive pursuit of Federal and State dollars**

**A non-strategic approach will  
result in insufficient funding for:**

**Public Service,  
Safety &  
Infrastructure**

# **Inappropriate Budgeting Risks:**

- **Reduction in work force**
- **Reduction in services**
- **User Fees**
- **Sale of City Assets**
- **Increase in Tax Rate**

**Our budgeting  
responsibility is  
to 58,000  
Andersonians**