

**COMMON COUNCIL
FINANCE COMMITTEE
JULY 3, 2019**

The City of Noblesville Council Finance Committee met at 8:16 a.m. on Wednesday, July 3, 2019. Christopher Jensen, Megan Wiles, and Rick Taylor were present. Greg O'Connor was absent.

Also present were City Clerk Evelyn Lees, Controller Jeff Spalding, Economic Development Assistant Director Andrew Murray, Economic Development Assistant Amy Smith, Chief Accountant Heather Trexler, and Administrative Assistant Jacqueline Thompson.

Annual Report of the Redevelopment Commission to Overlapping Taxing Units

Mr. Murray reviewed the Annual Report of the Redevelopment Commission to Overlapping Taxing Units. He stated the report is required annually by statute and must be presented to the overlapping taxing units before July 1st. He stated the three required components of the report are the Commission's 2020 budget for TIF property tax revenue; long term plans for the allocation areas; and the impact on overlapping taxing units, if any. He stated Noblesville has 14 allocation areas, 11 of which are active. He stated the budgets for those allocation areas assume flat revenue growth in 2020, which is a conservative approach. Mr. Spalding noted this conservative approach is a good one, because an increase in Assessed Value (AV) can lead to a decreased tax levy. He stated most people assume AV growth leads to more revenue, but that is not always the case. Mr. Murray stated the budget is focused on debt service/incentive payments, infrastructure improvements, and Downtown redevelopment projects. He stated the report lists several objectives of the long term plans for the allocation areas. He noted the list is not exhaustive and is always evolving. He stated as to the impact requirement, an argument in favor of TIF is that several competitive, successful projects would not have been possible without establishment of the allocation areas. He stated others argue that the development would have happened without establishment of the TIF areas. Mr. Murray stated he, Mr. Spalding, and Mr. Reuter modeled the impact on the overlapping taxing units if 100 percent of the TIF revenue was passed through, and they found the tax rates would be lowered by a range of one to nine percent, which is a minimal impact. Mr. Spalding noted while there is a potential advantage to the overlapping taxing units, it is not a dollar-for-dollar transfer, as many believe. He stated the pass through would only affect the tax rate. Mr. Spalding commended Mr. Murray for the report. He stated going forward, these reports will help build a database of knowledge concerning the City's TIF districts. He stated the report is very helpful and will be of use as a reference. The committee agreed it is an excellent report. Ms. Wiles found the summary of outstanding debt service to be especially helpful. Mr. Jensen stated Fishers recently did a study of its TIF areas and their impact on the schools; it would be good for Noblesville to have a similar document. Mr. Spalding stated Policy Analytics will be able to provide that information. He noted Mr. Reuter, because he has worked in school finance, understands that TIF areas are actually good for the schools. Mr. Spalding noted that TIFs can even be used to directly fund some school projects. Ms. Wiles stated she would prefer for the information to be presented by Mr. Reuter. She added that because of his background with the schools, his information will be more credible to the public.

Mr. Murray and Ms. Smith left the meeting.

Wastewater Utility PILOT

Mr. Spalding stated at the Council retreat on June 28th, there was considerable interest in the concept of the Wastewater Utility making Payment in Lieu of Taxes (PILOT) to the Civil City. He distributed an illustrative calculation by Baker Tilly of a possible PILOT of \$1,372,100.00. He noted that Baker Tilly not only included the treatment plant, but all infrastructure, in the calculation. He stated a PILOT does not have to be set at 100 percent of the calculated amount. He stated several communities make use of a PILOT. He added the Wastewater Utility is currently paying a service fee of \$580,000.00 per year to the Civil City for administrative functions that are performed on the Utility's behalf. He stated it is possible to charge both payments at once. He stated Mr. Boice plans to convene the Council Wastewater Committee to further discuss the possibility of these payments.

2020 Budget Development

Mr. Spalding reviewed a proposed timeline for the budget process. He stated there was an internal staff meeting yesterday to begin training for OpenGov that was well received. He stated there will be a training session with an OpenGov expert on July 11th. Regarding the Council budget meetings, Mr. Jensen and Ms. Wiles expressed a desire to have Mr. Reuter's revenue forecast as early in the process as possible. Mr. Jensen stated the Council needs time to digest the information in order to give direction to the departments. Mr. Spalding stated the official revenue forecast amounts will not be certified by the Department of Local Government Finance (DLGF) until after August 1st, so it would be hard to make accurate predictions before then. Ms. Wiles replied the amounts could be presented with a caveat that they are not official and could change. Mr. Spalding replied he would check Mr. Reuter's availability for an earlier date. He stated he is directing departments to assume a three percent increase to their budgets for 2020, which would include a general salary increase for employees that is yet to be determined. He stated any request over and above the three percent increase will have to be justified. There was a discussion concerning the Administration's and Council's role in the budget process and how the process might be improved this year. Mr. Jensen suggested the Council should set parameters early in the process, the Administration should prepare and present a budget, and then the Council can make changes if needed. Mr. Spalding observed that is the typical approach of most communities. As chair of the Finance Committee, Ms. Wiles requested that Mr. Jensen, as presumptive Mayor-elect, should be included in the Administration's budget process. Mr. Spalding agreed. He stated these changes should shift the timeline for the Council budget meetings. He stated in the future, the Council will be able to log in to OpenGov and view reports and information for each of the departments and the City as a whole.

Review of Capital Projects Funding Options

Mr. Spalding stated a PILOT for the Wastewater Utility has already been discussed. He stated other sources of funding were discussed at the June 28th retreat, but he would like to know which ones the Council feels are appropriate. He asked if the road resurfacing budget should be

reduced. Ms. Wiles stated the Council Roads Committee would be the appropriate group to discuss changes to that program. Mr. Spalding stated he will work with Assistant City Engineer Jim Hellmann to identify a reasonable amount to spend. Mr. Taylor expressed interest in the progress of the alley repaving project. He noted once that project is complete, the funding for it will become available for other use. Ms. Wiles asked if TIF revenue could be used to finance projects, as neighboring communities are doing. Mr. Spalding replied it is possible, but he prefers to use TIF revenue for smaller projects. He stated his first priority is to identify clear funding sources for the Pleasant Street corridor. Ms. Wiles stressed a need for creativity; she pointed out that other communities use their Redevelopment Commissions to fund multiple projects. Mr. Spalding interjected that often TIF debt does not count against the City's constitutional debt limit. Ms. Wiles and Mr. Taylor reiterated that no funds should be diverted from the Downtown Development Fund. Mr. Jensen suggested an a la carte menu of funding options to present to the Council at another retreat, at which time the Council can decide what options they will support. Mr. Spalding stated he will work with Mr. Jensen and the committee to set a date for another retreat to present and discuss funding options. Mr. Jensen felt capital project funding decisions should wait until after the budget is adopted, to prevent slowing the budget process. Mr. Taylor agreed. Mr. Spalding preferred including likely 2020 expenditures in the budget during the process, although he noted the budget could be adjusted later, or projects could be structured so that the first payments would be due in 2021.

Claims Docket Review

The committee recommended approval of the claims.

Mr. Jensen left the meeting.

Fiscal (and Related) Actions on Council Meeting Agenda – July 9th

- *Ordinance #26-06-19 (Cash Change and Petty Cash Funds)*

The item is on the Council agenda for a second reading.

Review of Agenda Addendum

Mr. Spalding reviewed the addendum. He stated the Continuing Disclosure Agreement/Undertaking (CDUA) tracking process for debt, which is administered on the City's behalf by Baker Tilly, LLC, has new regulations requiring a policy and process. He noted the Campus Center project bonds closed a few days before the new regulations' effective date, but the Levinson bonds were issued after the effective date and are subject to the new regulations. He stated the City must comply, so he will meet with City Attorney Michael Howard and Baker Tilly to compose a policy and process. Ms. Wiles asked if a report will be made to the Council. Mr. Spalding replied yes, although the reporting is very routine.

Mr. Spalding stated regarding OFA Staff Structure, he is moving forward to hire a budget/financial analyst. He stated the position has been posted and applications are being received. He stated he hopes to conduct interviews the week of July 22nd. He noted the CDUA reporting requirements may be a function of the new position.

Mr. Spalding was prepared to display the Bond Issue Master Tracking Report to the committee, but Ms. Wiles asked him to wait for the next meeting so that Mr. O'Connor could see it.

Mr. Spalding noted Mr. Murray's work with the annual report of the Redevelopment Commission is helping organize data to give to Policy Analytics for the Proforma TIF Cashflow Projections.

Mr. Spalding noted work on Internal Controls may be delayed while he works on capital projects funding.

Other Business at Discretion of the Chair

Mr. Taylor and Ms. Wiles asked for an update on software for the Parks Department that was discussed at the last meeting. Ms. Thompson will add the item to the next meeting's agenda. Parks Director Brandon Bennett will be out of town, but the information will be provided to the committee. Ms. Wiles asked if the Council will receive a report on the golf study. Mr. Spalding offered to follow up with Mr. Bennett.

Mr. Spalding stated he is exploring refinancing a bond from the Maple Avenue Storm Sewer project that could save approximately \$20,000.00 per year. He noted Council action will be necessary.

The meeting adjourned at 9:47 a.m.


MEGAN G. WILES, COMMITTEE CHAIR


EVELYN L. LEES, CITY CLERK