

**CLERK-TREASURER  
CITY OF WEST LAFAYETTE**

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**MEMORANDUM**

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**TO:** City Council

**FROM:** Clerk-Treasurer Judy Rhodes

**SUBJECT:** 2009 Budget Steps

**DATE:** September 29, 2008

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At budget adoption time, both the 2009 budget and the budget for the last half (July to December) of 2008 are part of the calculation for budget Form 4B which sets the levy and tax rate. The summary sheet, "Form 4Bs for 2009 Proposed Budget," contains the same information as the Form 4Bs but it displays the full year of the 2008 budget instead of only the last half of 2008.

Budget adoption involves several steps:

1. Approval of the 2009 budget, the spending plan.
2. Approval of the 2009 salary ordinances.
3. Approval of 2008 budget reductions.
4. Approval of 2008 additional appropriations.
5. Approval of the annexation appeal resolution.

At its last two meetings, the Council has begun to take action on the budget. Additional appropriations were approved for Motor Vehicle Highway (MVH) and Cumulative Capital Development (CCD). Budget reductions have been approved for Cumulative Capital Improvement (CCI) and Local Road & Street (LRS). We expect to submit legislation to further reduce the 2008 budget and appropriate the the Rainy Day Fund. The following changes to the 2008 budget are incorporated in the Form 4Bs and the summary sheet.

Clerk-Treasurer	-\$150,000.00
City Services	-\$16,000.00
Police Pension	-\$186,727.18
Fire Pension	-\$147,536.32
Rainy Day	+\$207,400.00

The best appraisal of the impact of HB 1001 provisions on funding the old (pre-1977) police and fire pension plans is now that our levy will be cut by approximately \$685,000.

The Office of Management and Budget (OMB), Department of Local Government Finance (DLGF) and the Public Employees Retirement Fund (PERF) and its actuary have been reviewing the pension relief and related levy reduction for the City of West Lafayette. We owe special thanks for their responsiveness and to Sen. Brandt Hershman, one of the co-authors of HB 1001.

Significant uncertainty remains in the \$685,000 estimate of the levy reduction in 2009, and in the disposition of the \$784,000 in operating balances which were transferred out of the pension funds into the Rainy Day Fund in June. I have pursued our appeal of the unexpected low pension relief in 2008 with a request for a calculation of the 2009 pension relief, which was run last week after the actuary completed similar work for Indianapolis. The results have triggered a review of the interpretation of HB 1001 which I anticipate will lead to a better outcome for West Lafayette and other jurisdictions. In the meantime, we need to appropriate a portion of the Rainy Day Fund to pay pension expense for 2008 that cannot be funded by cash on hand in the pension funds.

The substance of discussion to date is that it is becoming less likely that we will be able to use the Rainy Day Fund balance remaining from the pension fund transfer (\$576,600) to pay a portion of annexation costs and phase in the annexation levy appeal more gradually. The annexation appeal plan has consequently been revised to request an appeal for 2009 sufficient to cover the annexation costs we will incur in the 2009 budget. The automatic annexation levy increase awarded in 2008 of \$93,425 will be a deduct from that appeal amount. Based on previous cost estimates, we expect that appeal would generate \$453,410 of property tax revenue for the General Fund in 2009. Jim Treat from O.W. Krohn and Associates will attend the October 2 Pre-Council meeting to provide updated numbers and review some of the materials we previously received.

The budget is normally advertised with a higher levy and higher tax rate than we anticipate receiving in the end because once advertised, the budget and tax rate can only be reduced. The 2009 budget will be advertised with additional amounts in the General Fund and the Parks & Recreation Fund, as indicated on the summary sheet, and with assessed valuation estimated at 70% of our PAY 2008 value (March 1, 2007 assessment.) Even with a later start to budget adoption, we still do not have certified assessed value for PAY 2009 (March 1, 2008 assessment) or the 2009 income tax estimate, notably COIT which provides \$1.47 M for our General Fund in 2008. In prior years I was able to provide forecasts of the levy, assessed valuation, and tax rates which closely approximated the outcome. Given the magnitude of changes to the property tax system in 2009, it is impossible to do so this year.