

To: President and Members of the Munster Town Council

From: Wendy Mis, IAMC Clerk-Treasurer *W Mis*

Copy to: Patricia L. Abbott, IAMC, MMC, Controller
Dustin Anderson, Town Manager

Date: September 21, 2020

Re: Ordinance 1806, 2021 Budget

Tonight, you will conduct the public hearing and have first reading on the ordinance for the 2021 budget. Because the final, certified budget can never be higher than what was advertised, the budget estimates advertised for 2021 are purposely overstated. The amounts in the ordinance are within the advertised amounts. Because municipalities are required to include the estimated impact of circuit breakers in the budget, the advertised levy amounts are quite large and give the false appearance of drastic increases. As the Department of Local Government Finance (DLGF) processes the budget, the adopted amounts will be reduced. There will not be levy increases beyond statutory limits.

This was the first year the Town faced the full impact of the circuit breakers. Going into 2020, Staff assumed the impact would be \$1.8 million; the revised number provided by DLGF in April was \$2,230,255. While the actual circuit breaker impact of 2021 is unknown until next year, the DLGF is estimating the impact at \$2,452,090. This is reflected in the ordinance and budget to be submitted next month. The circuit breaker impacts are expected to continue at these levels in future years. The impact of the economy and unemployment will be felt in the growth quotient calculations for 2022 through 2027. The growth quotient has a direct impact on how much property tax can be levied.

The Department of Local Government Finance ("DLGF") is required to provide certain revenue estimates as well as circuit breaker estimates. As with all things this year, COVID-19 has an impact. Revenues are expected to decrease as follows: Motor Vehicle Highway by 18%, Local Road & Street by 2%; Local Income Tax -Public Safety by 37%, and Cigarette Tax by 6%. As a result of the economy, unemployment, and the statutory formula, Local Income Tax revenues are expected to remain down in 2022.

Department Heads were asked to complete budget worksheets keeping in mind the anticipated lower revenues. There will be 27 payrolls in 2021 instead of the usual 26. This happens about once a decade. An average payroll is \$387,000.00. Health insurance rates are increasing by 5.00%. As a result, the only raises included in the 2021 budget were for the step increases for Police Officers; this will impact about three employees.

There is some relief. The Aim Medical Trust has approved a medical premium holiday for January 2021. This comes to a savings of about \$173,000.00. Delta Dental is holding their administrative fee steady for the next two years and vision insurance rates are unchanged. Staff continues to look for ways to save money.

To overcome the anticipated challenges, Staff will look to home-rule funds to supplement property tax-controlled funds. This includes the Municipal Surtax and Wheel Tax Funds for expenditures otherwise taken from the MVH Fund.

Ordinance 1806 has been drafted to match the submittal that will be made through Gateway after budget adoption.

RECOMMENDED ACTION:

Conduct a public hearing on the proposed 2021 budget. Later, by motion and roll call vote, hear the proposed Ordinance 1806 on first reading and set October 5, 2020, for second reading and adoption.