



— Office of the Mayor —

April 7, 2020

To: Indianola City Council
From: Mayor Kelly B. Shaw
Re: Resolution No. 2020-70

Dear Council:

This letter is to inform you that I am vetoing the following resolution:

“A Resolution to approve the annual budget for FY2021.”

While I appreciate the efforts put into the making of this budget by city staff, I feel strongly that the budget should reflect the economic and public health crises that have evolved in recent weeks. Most recently, during the March 25, 2020 Council meeting, I asked Council to reconsider the budget in light of the COVID-19 pandemic and the dramatic impact it is having on the financial realities of our citizens and small businesses. Given that discussion, and the unanimous vote to approve the budget resolution by Council, I feel that raising awareness and encouraging Council to reconsider the approval of the FY 2021 is the next logical step.

At the time of the writing of this memo, it is predicted that the public health threat from the COVID-19 pandemic has not yet reached its peak. And while the loss of life is tragic, the long-term economic impact of COVID-19 is daunting. According to the International Monetary Fund (IMF), the world economy has entered into a recession surpassed only by the Great Depression. In the last two weeks in March, more than 10 million people in the U.S. applied for unemployment benefits. Across Iowa, and in Warren County, persons working in the service and manufacturing sectors have been hit hard. Certainly revenue is down in those shops ordered to close, and while federal stimulus plans have been passed, recovery – in whatever form it will take – will be a very long process.

While I appreciate the fact that the approved increase in the City’s tax levy will generally not impact property taxes for the 2021 fiscal year (July 1 2020 to June 30, 2021), property owners will see a substantial increase in their 2022 fiscal year due to rising property values recently assessed by Warren County. In addition, taxpayers will see their taxes for Warren County increase, and other expenses (natural gas franchise fees, waste water fees, recycling fees, etc.) associated with living in Indianola increase. It is fair to say that the financial impacts of COVID-19 will be long lasting and far-reaching, while the cost of living is simultaneously increasing.

To this end, I write to encourage the City Council to reassess budget priorities and consider funding alternatives that do not rely upon a levy increase for the upcoming fiscal year.

The General Fund balance is projected to end the budget year at 62%, per the recent budget presentations. That fund balance is well in excess of the 25% General Fund cash reserves stipulated in the Council's Policies and Procedures manual. Assuming staff's typical fiscal prudence, the 62% forecast is likely conservative. Given this, and other opportunities, I believe most, if not all, of the policy priorities identified by Council can be achieved in FY 2021 without a levy increase that would likely have a lasting and negative impact upon our citizens, their economic wellbeing, and future growth. I appreciate any reluctance to utilize reserves, but if not to assist our community in a time of need, for what use should they be used?

For these reasons, I strongly believe that Resolution No. 2020-70 fails to take into consideration the dire economic circumstances looming for citizens of Indianola. To this end, I hope that this veto enables the City Council to consider alternative methods to achieve their stated goals for FY 2021 without placing an undue burden on our residents.

Respectfully submitted,



Kelly B. Shaw
Mayor