

April 10, 2020

Dear Indianola Community:

This letter is devoid of much of the professionalism that the good citizens of Indianola should expect from their elected officials. While a direct response to the inaccuracies and misinformation that the Council's letter dated April 9, 2020, this letter is not a formal response from my official Office. It is not on city letterhead, and should not be construed as such. That said, I believe it is important for the citizens of Indianola to understand the arguments made in my veto of the City's budget for the 2021 fiscal year, while addressing the inaccuracies and inconsistencies in not only Council's letter, but fiscal management within the City of Indianola.


To begin, much has been made of the 62% vs 44% fund balance discussion. The 62% figure has even been called deceptive by Council. It's troublesome that councilmembers want to attack my veto based upon interpretations of definitions, as opposed to policy or leadership direction. Clearly, my veto did not question the Council's "commitment to serving the community" or their "sacred commitment" to constituents, but it did take into consideration the economic impact that the present COVID-19 pandemic is having on citizens physically, emotionally, and fiscally. And it encouraged Council to consider policy alternative that would provide relief to taxpayers in this difficult time, while concurrently allowing Council to pursue their policy goals.

In my veto, I used the 62% figure because it most accurately indicates from where I suggest any tax relief provided by keeping the tax rate the same can be funded. You'll see some inconsistencies in how the City refers to this line item below. In the table below from the March 2020 budget presentation it is referred to as "General Admin". However, in the Treasurer's Report that immediately follows the first table, that same fund is referred to as "General Government". There are even a different number of funds labeled as "General Fund" between the two documents, with the budget presentation showing 14 lines, and the Treasurer's Report showing nine. Confused? Me too. Please note in the image below General Admin is predicted to be at 62%, by staff's estimates. That is the fund to which my veto refers.

## FY21 General Fund Overview

General Fund	Beginning	Revenue	Expenditure	Ending	Fund Balance Percent
General Admin	1,922,326	2,962,373	3,023,457	1,861,241	62%
Downtown Rev Loan (IEDA) (Fund 160)	243,316	35,000	25,694	252,622	
Downtown Biz Loans (Fund 161)	56,573	30,000	10,000	76,573	
Police	1,497,227	3,881,317	3,917,877	1,460,667	37%
Fire	378,685	790,408	790,446	378,647	48%
Ambulance	53,355	1,740,885	1,743,539	50,701	3%
Library	200,716	825,000	828,213	197,503	28%
Library Spec Rev	43,548	22,000	22,000	43,548	
Parks	502,333	1,607,620	1,638,156	471,796	35%
Parks Spec Rev	106,246	-	6,000	100,246	
Pool	169,674	264,287	264,287	169,674	64%
YMCA Maint Fund	398,118	50,000	30,000	418,118	
MEC Franchise	743,033	140,000	240,000	643,033	
Vehicle and Equipment	790,022	997,046	1,672,546	114,522	7%
<b>Total</b>	<b>7,105,171</b>	<b>13,345,935</b>	<b>14,212,214</b>	<b>6,238,892</b>	<b>44%</b>

General Fund Balance Policy Requirement: 25%



Sample of the August Treasurer’s report, presented to Council on 10/21/2019 (why the inconsistencies in language and line items?)

**FINANCIAL REPORT  
MONTH OF AUGUST, 2019**

FUND	Beginning Balance	Monies Received	Monies Disbursed	Transfer In	Transfer Out	Clerk's Balance	% of Total
001 General Government	2,263,282.46	246,984.00	223,764.53	80,100.14	5,498.36	2,361,103.71	
011 Police	1,253,827.89	28,970.14	205,388.58	8,694.21	4,753.58	1,081,350.08	
015 Fire	146,028.05	3,556.40	41,167.34	0.00	725.95	107,691.16	
016 Ambulance	77,170.52	65,913.33	136,438.32	0.00	4,113.69	2,531.84	
041 Library	144,502.25	730.13	43,521.37	0.00	3,180.86	98,530.15	
042 Park & Recreation	579,243.46	29,507.61	123,579.93	0.00	3,757.69	481,413.45	
045 Memorial Pool	163,000.18	17,234.57	45,282.92	0.00	0.00	134,951.83	
071 General Fund Debt Service	56,354.58	0.00	0.00	0.00	0.00	56,354.58	
099 Franchise Fees-MEC	663,629.45	0.00	0.00	0.00	0.00	663,629.45	
<b>GENERAL FUND SUB-TOTAL</b>	<b>5,347,038.84</b>	<b>392,896.18</b>	<b>819,142.99</b>	<b>88,794.35</b>	<b>22,030.13</b>	<b>4,987,556.25</b>	

Council can dispute what a particular collection of money is called; and I can understand their confusion, but here is something that can’t be disputed. We have over a million dollars available to assist taxpayers in a single fund, that is either labeled as General Admin or General Government, depending on the official City document utilized. That million dollars is OVER AND ABOVE the 25% reserve requirement listed in the Council Policy document. That is over a million dollars over an amount that is supposed to be a safety net. We can access over a million dollars without touching that safety net or any other departmental fund balance.

Just so there is a clear understanding, that million dollars is calculated as follows: The projected ending balance of the “General Admin” \$1,861,261 per the budget presentation above in less the required reserve of 25% of \$3,023,457 expenditures, which is \$755,864.25. We have \$1.8 million when we require \$756,000 to be safe. \$1,861,261 less \$755,864.25, is in fact \$1,105,396.75, again over a million dollars.

But Council claims I’m being deceptive and inaccurate, and while I won’t make jokes about a global pandemic like they do, I will address the “But you said General Fund!” argument. Fair enough, we can perform the same mathematical exercise on the “General Fund”, as defined in the budget presentation. \$14,212,214 x 25%=\$3,553,055 in recommended reserves per the policy. We have \$6,238,892 projected. That is reserves in excess of 2.68 million over the recommended reserves.

Let me be absolutely clear: We have access to over a million dollars to help our citizens, and we’ll remain well within the 25% reserves if Council were to adopt my proposal.

What is my proposal and how much will my proposal “cost” the City of Indianola? I use quotes on “cost”, because I’m proposing a decrease in the amount of tax revenue, not some check the City will be writing. The city’s taxable valuation is \$566,827,938 per the published document below. So how much tax relief am I proposing? My proposal is  $(566,827,938/1000)*(12.75555-12.38220) = \$211,625$ . We have \$1.1 million given the above calculation, and this would reduce tax revenues \$211,625. We could maintain this tax reduction, without needing to change budget spending for OVER 5 YEARS, just out of one General Admin fund. (Calculations taken from published budget document and is published below.)

City Web Site (if available):		City Telephone Number:		
www.indianolaiowa.gov		515-961-9410		
Iowa Department of Management	Current Year Certified Property Tax	Budget Year Effective Property Tax	Budget Year Proposed Maximum Property Tax	Annual % CHG
	2019/2020	2020/2021**	2020/2021	
Regular Taxable Valuation	1 541,061,480	566,827,938	566,827,938	
Tax Levies:				
Regular General	2 \$4,382,598	\$4,382,598	\$4,591,306	
Contract for Use of Bridge	3 \$0	\$0		
Opr & Maint Publicly Owned Transit	4 \$0	\$0		
Rent, Ins. Maint. Of Non-Owned Civ. Ctr.	5 \$0	\$0		
Opr & Maint of City-Owned Civic Center	6 \$0	\$0		
Planning a Sanitary Disposal Project	7 \$0	\$0		
Liability, Property & Self-Insurance Costs	8 \$0	\$0	\$112,000	
Support of Local Emer. Mgmt. Commission	9 \$0	\$0		
Emergency	10 \$0	\$0		
Police & Fire Retirement	11 \$354,491	\$354,491	\$444,997	
FICA & IPERS	12 \$545,050	\$545,050	\$508,775	
Other Employee Benefits	13 \$1,417,395	\$1,417,395	\$1,573,123	
<b>*Total 384.15A Maximum Tax Levy</b>	14 \$6,699,534	\$6,699,534	\$7,230,201	<b>7.92%</b>
<b>Calculated 384.15A Maximum Tax Rate</b>	15 \$12.38220	\$11.81934	\$12.75555	

Which brings me to a vital point. I'm not suggesting changing ANY spending in the budget, despite Council's rhetoric in their response to my veto. The same number of police officers would be added, and the same number of library staff would be added. Budget spending would be the SAME. I am not proposing changing any part of the budget spending for this year. To suggest anything to the contrary is deception by the Indianola City Council.

In closing, please let me reiterate three import facts:

- 1) We can provide citizens tax relief, without reaching the 25% reserve level, for a period of five (or 12!) years, with no change in spending. These projections assume no growth in the tax base, so the actual term could be much longer if Council provided the appropriate direction and understood public budgeting.
- 2) Council notes in their letter that citizens would pay less taxes even with the proposed rate increase. Indianola Public Schools have decreased their tax levy this year. Leadership and excellent fiscal stewardship isn't relying on other taxing authorities to do the right thing. The Indianola City Council shouldn't rely on Indianola Schools to provide tax relief in emergency situations. That is not leadership, it is relying on other taxing authorities to help out the citizens of Indianola. And;
- 3) Personal attacks notwithstanding, the City of Indianola can afford to do the right thing by the citizens of Indianola during this recession, and we should.

By vetoing the budget resolution, I encouraged the Council to reconsider the increased tax rate and find alternative funding mechanisms to fund their priorities. I have identified a path for this to occur, and sincerely hope they consider it without dismissing it out of hand.

Respectfully submitted,

Kelly B. Shaw

P.S. The 2019-2020 combined property tax rate for Indianola residents was \$39.745, not the \$38.46 which Council cited in their letter dated April 9, 2020. We do know small details are important, right? Maybe, before Council says my numbers are "misinformed", "deceptive", and "inaccurate", they should make sure their own numbers do not deceive the citizens.

From Warren County Beacon website indicating levy rate of 39.745/1000 of valuation for 2019-2020.

	2018 Pay 2019-2020
+ Taxable Land Value	\$17,189
+ Taxable Building Value	\$0
+ Taxable Dwelling Value	\$97,102
= Gross Taxable Value	<b>\$114,291</b>
- Military Credit	\$0
= Net Taxable Value	<b>\$114,291</b>
x Levy Rate (per \$1000 of value)	39.74512

From the Council letter dated 4/9/2020 which conveniently excludes the true rate citizens pay.

- d. **Your Impact** – The following is a formula comparing the estimated property tax impact for a home valued at \$200,000, using the combined tax rate for the City, County and School District:

*2019-2020 – Property Tax Rate*

*[(Property Value x 0.57 Rollback Percentage)/1,000] x Property Tax Rate = estimated property tax*

*Example: [(\$200,000 x 0.57)/\$1,000] x \$38.46 = **\$4,384.44***

*2020-2021 – Property Tax Rate*

*[(Property Value x 0.55 Rollback Percentage)/1,000] x Property Tax Rate = estimated property tax*

*Example: [(\$200,000 x 0.55)/\$1,000] x \$38.49 = **\$4,233.90***