



CITY OF FORT WAYNE
GRAHAM RICHARD, MAYOR

January 1, 2006

Dear Fellow Citizen,

The 2006 City of Fort Wayne Budget reflects the emphasis on critical objectives to:

- Expense management through strong fiscal control
- Reduce the gap between revenues and expenditures
- Maintain an adequate cash reserve

For many years, the City of Fort Wayne was substantially below the property tax maximum levy. In the 2004 budget, the City was \$20 million below the maximum levy (banked levy), which allowed for financial flexibility in local government. The passage of Senate Bill 1 in December 2003 removed the banked levy and eliminated any financial flexibility. The levy is now calculated by increasing the current fiscal year levy by the six-year average change of Indiana non-farm personal income multiplied by the prior year levy, plus any adjustments for annexation. The new calculation does place greater limits on all taxing entities' ability to raise property taxes, which is good news for the taxpayer.

The continued focus on expense and cash management has allowed the City of Fort Wayne to be financially positioned to fund the Southwest Extended annexation costs as the City prepared for the January 1, 2006 annexation. The Southwest Extended annexation will increase the assessed value by approximately 20%. Property taxes will not increase by the same proportion, however, because state law limits increases in the property tax levy due to annexation to no more than 15% without special permission of the state. In 2007, the estimated increase in the property tax levy to provide services to the annexed area is estimated to be approximately \$13 million. Without the 15% cap, the tax levy could be as much as \$18.5 million.

Fiscal responsibility requires revenues to exceed expenditures. Currently, the City is using cash reserves to provide services for the Southwest Extended annexation. In 2007, additional property tax revenues from the annexed area will be received and will align with the expenditures incurred with the Southwest Extended annexation.

In March 2005, the Moody's Investors Service evaluated the financial health of our City and I'm pleased to report that Moody's affirmed a general obligation bond rating of Aa2. In addition, Moody's upgraded its bond rating for our Parks District from Aa3 to Aa2, the same as the City's General Obligation rating.

I would like to acknowledge the commitment and dedication of all City employees as they respond to financial objectives that have allowed our City to be in the strong financial position it is today.

If you have any questions or suggestions, please feel free to call me at 427-1106 or email your questions or suggestions to pat.roller@ci.ft-wayne.in.us.

Sincerely,



Patricia A. Roller, CPA
City Controller