



**THE FISCAL HEALTH OF INDIANA'S
LARGER MUNICIPALITIES:
CITY OF ANDERSON MUNICIPAL PROFILE**

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Introduction

This document is a summary of financial information on the City of Anderson assembled from several public sources. It is intended to serve as a supplementary document to the Indiana Fiscal Policy Institute report *Fiscal Health of Indiana's Larger Municipalities* RELEASED IN December, 2015. It was not prepared for or vetted by the City of Anderson prior to its release and does not serve in any manner as a publication of the City. Rather it is the author's interpretation of the data gathered from publicly available sources.

Economic Climate

Based on this study's Composite Economic Index, the City of Anderson has been functioning in the most difficult economic climate of the eighteen selected municipalities.

In 1970, the City of Anderson had 70,787 residents. That total represented 51% of the Madison County population. In 2014, the estimated population of Anderson was 55,455. That total represented 43% of the Madison County population, a decline of 8 percentage points from 1970. Between 1970 and 2014, Anderson lost 15,322 residents, a 22 percent decline. Between 2006 and 2014, Anderson lost an estimated 2,041 residents for a 3.5 percent decline.

Total personal income in Madison County increased by 8.9 percent between 2006 and 2013. This was the second lowest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Madison County was \$32,158, lowest among the selected counties. This was 83.3 percent of statewide per capita personal income. In 1970, per capita personal income in Madison County was 93.5 percent of the statewide per capita personal income.

Madison County has experienced both long-term and short loss in employment. In 1970 the countywide total employment (full and part-time) was 58,048. By 2007, employment in the county had declined to 53,059. It continued to decline to 50,399 by 2013. The longer-term decline between 1970 and 2013 was 13.2 percent, the highest rate of decline among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 5.0 percent, sixth highest decline among the fifteen counties. This data is from the Bureau of Economic Analysis Total Employment by county data and is based on place of work not place of residence.

The Gross Regional Product in Madison County in 2013 was \$3,075,707,532. The per capita GRP was \$23,592 in 2013. This was the lowest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Anderson ranked 18th on a Composite Economic Index of several municipal and countywide economic indicators (short and long-term population change, short and long-term employment change, total personal income growth, per capita personal income, gross regional product per capita, gross assessed valuation change, and gross assessed valuation per capita). It scored 51 out of a possible 270 points. This indicates that the City of Anderson has been operating in a very difficult economic environment in comparison with the group of municipalities included in this study. Some of these factors, such as per capita personal income relate closely to the

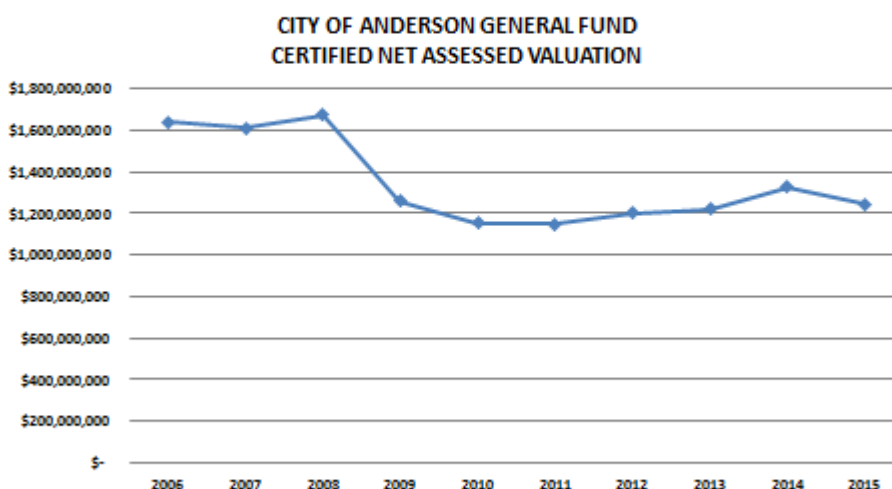
relative income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Anderson was \$3,015,266,570 in 2014 pay 2015. This was a 14.4 percent increase over the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$54,372 per capita in 2014 pay 2015, ranking 11th among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 18.4 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 19.9 percent of Anderson's gross assessed valuation. In 2007 pay 2008 4.5 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 16.8 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 66.5 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had fallen to 45.0 percent.

Figure 1 illustrates the changes in net assessed valuation for Anderson from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Anderson General Fund is \$1,245,129,559 for 2014 pay 2015. That is down from \$1,640,522,605 in 2005 pay 2006. Between 2007 pay 2008 and 2008 pay 2009, where the impact of the increases in the homestead deductions enacted in HEA 1001-2008 first occurred, the certified net assessed valuation for Anderson declined by 27.4 percent, the largest decline among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Anderson's net assessed valuation continued to decline by an additional 1.1 percent, the 9th highest rate of decrease among the selected municipalities. Net assessed valuation per capita in Anderson was \$22,453 in 2014 pay 2015, ranking 17th among the eighteen municipalities. Over the past year, net assessed valuation for the City of Anderson General Fund declined by 6.2 percent. In 2014 pay 2015, 16.8 percent of the City of Anderson's General Fund Net Assessed Valuation was captured by Tax Increment Financing Districts.

FIGURE 1



In 2006 pay 2007, the City of Anderson’s certified net assessed valuation was 39.4 percent of the net assessed value countywide in Madison County. By 2014 pay 2015, the City’s portion of the countywide net assessed value had decreased to 34.8 percent.

Annual Property Tax Certified Budgets, Levies and Rates

2007 Certified Budgets, Levies and Rates for Property Tax Supported Funds

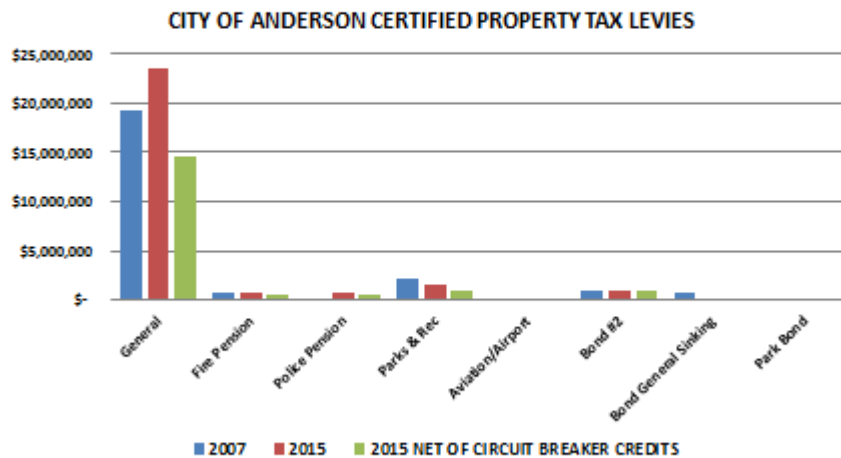
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$35,942,205	\$19,252,747	\$1.1970
Bond #2	\$1,241,083	\$947,357	\$0.0589
Bond-General Sinking	\$872,018	\$754,347	\$0.0469
Fire Pension	\$3,755,930	\$780,082	\$0.0485
Police Pension	\$2,960,726	\$194,618	\$0.0121
Park & Recreation	\$2,944,045	\$2,213,181	\$0.1376
Aviation/Airport	\$655,718	\$204,269	\$0.0127
Total	\$48,371,725	\$24,346,601	\$1.5137

2015 Certified Budgets, Levies and Rates for Property Tax Supported Funds

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$31,613,449	\$23,499,330	\$1.8873
Bond #2	\$685,117	\$916,415	\$0.0736
Fire Pension	\$3,745,115	\$774,471	\$0.0622
Police Pension	\$3,412,787	\$799,373	\$0.0642
Park & Recreation	\$1,555,495	\$1,548,941	\$0.1244
Park Bond	\$178,035	\$163,112	\$0.0131
Aviation/Airport	\$650,771	\$224,123	\$0.0180
Total	\$41,840,769	\$27,925,765	\$2.2428

Source: Department of Local Government Finance Annual Budget Orders

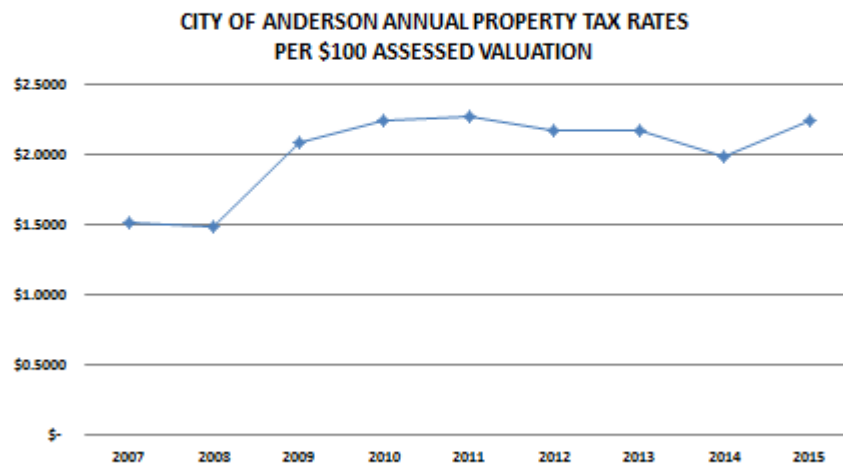
FIGURE 2



The City of Anderson's 2015 property tax rate of \$2.2428 per \$100 of assessed value ranked as the third highest among the eighteen selected municipalities. Anderson's property tax rate increased by \$0.7291 between 2007 and 2015. This was a 48.2% increase. The increase, in cents per \$100 assessed valuation, ranked as the third highest among the selected communities and was 9th highest as a percentage increase.

In 2014 and 2015 the City of Anderson levied property taxes for its Police and Fire Pension Funds. As of the 2015 certified budget, it had not adopted a rate for a Cumulative Capital Development Fund. In 2015, 3.9 percent of its property tax rate is used to support debt service funds.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of Anderson lost \$10,239,625 in property tax revenue due to Circuit Breaker credits. That was 36.7 percent of its Certified Property Tax Levy, the fourth highest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 63.7 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Anderson were \$185 per capita (fourth highest among the eighteen municipalities) and \$822 per \$100 of assessed valuation (also fourth highest). The City of Anderson lost another \$3,075,651 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

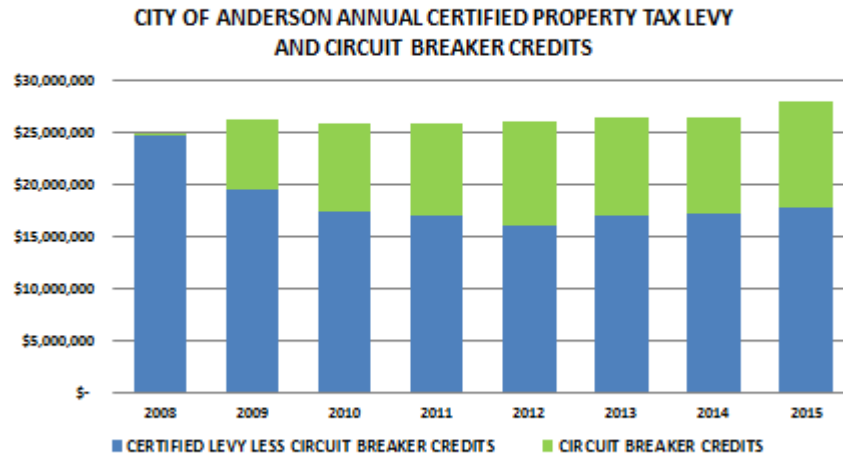


FIGURE 5

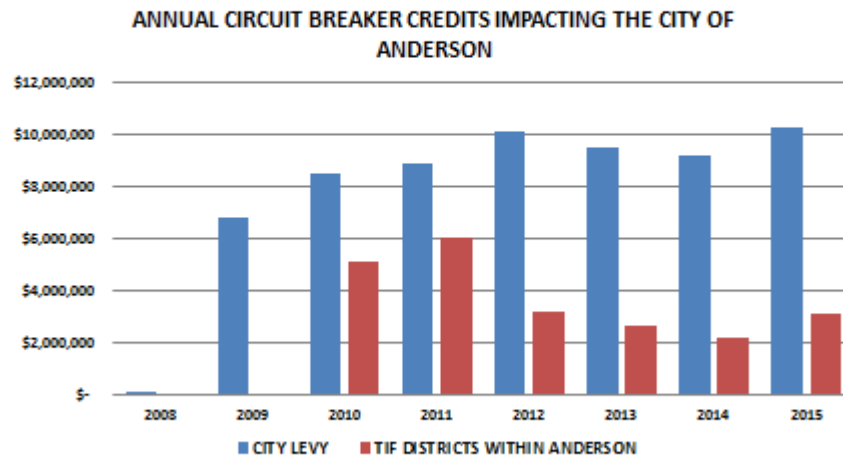
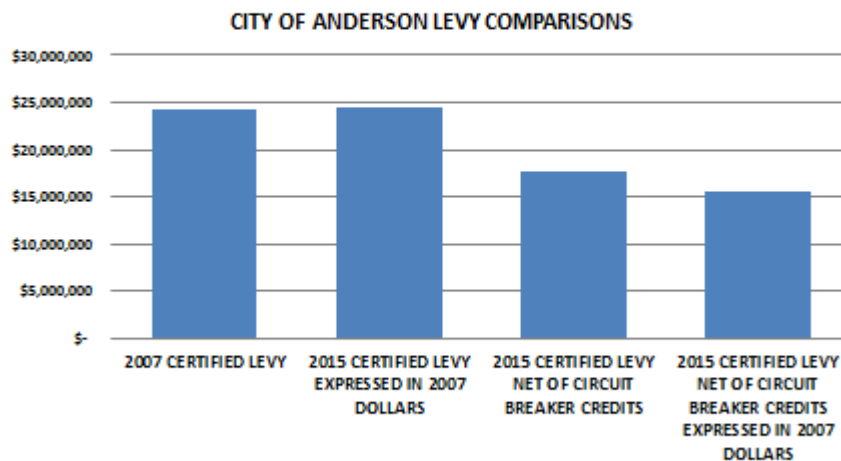


FIGURE 6



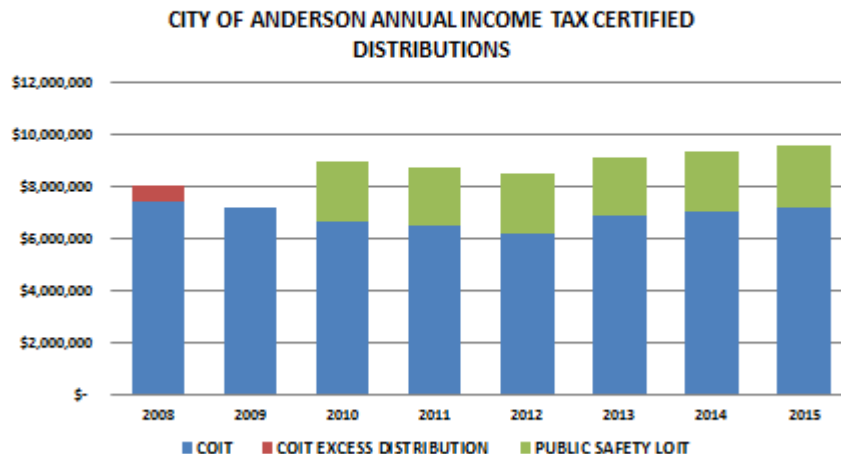
Local Income Taxes

Madison County has a County Option Income Tax at a 1.0%. Madison County adopted the Public Safety LOIT effective in 2010 at 0.25% and adopted the LOIT for Property Tax Relief, also effective in 2010, at the 0.5% rate. It appears that Madison County eliminated the CEDIT Homestead Credit sometime between 2008 and 2015. The City of Anderson does not have a controlling vote in the Madison County Income Tax Council.

In 2008, the City of Anderson received \$ 8,005,672 in local income tax distributions. By 2015 these distributions had increased to \$9,572,960. The 2008 distribution would have needed to be \$8,847,576 in 2015 to keep pace with inflation.

Local income tax revenue represented 24.4 percent of Anderson's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion grew significantly as income tax revenue represented 35.1 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



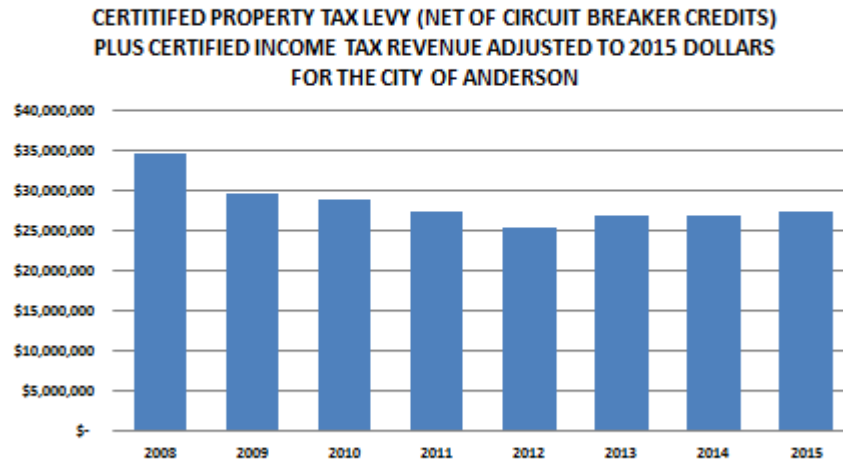
Fiscal Capacity Index

After exploring the changes which have occurred to the property and income tax revenues to the City of Anderson, what has been the overall impact on the fiscal capacity of this municipality? To better understand that impact, a simple “Fiscal Capacity Index” has been created. “Core income” as defined in this study is the combination of (1) annual certified property tax levies net of circuit breaker credits; and (2) annual local option income tax certified distributions. In addition, property tax levies have been adjusted to remove the 2008 levies for those Police and Fire Pension Funds that were taken over by the state in 2009 to allow for a more accurate year-to-year comparison.

These two sources represent the two key revenue sources for most municipalities. The property tax component has been impacted by the enactment of the property tax caps and by the changes to assessed valuation both occurring through the 2008 legislation to increase homestead deductions and by the recession holding down “natural” growth in assessed valuation. Secondly, the impact of the property tax caps has been included by reducing property tax revenue by the amount of Circuit Breaker Credits attributable to each municipality. Lastly, the recession also had a depressing effect on personal income which, in turn, reduced income tax revenues.

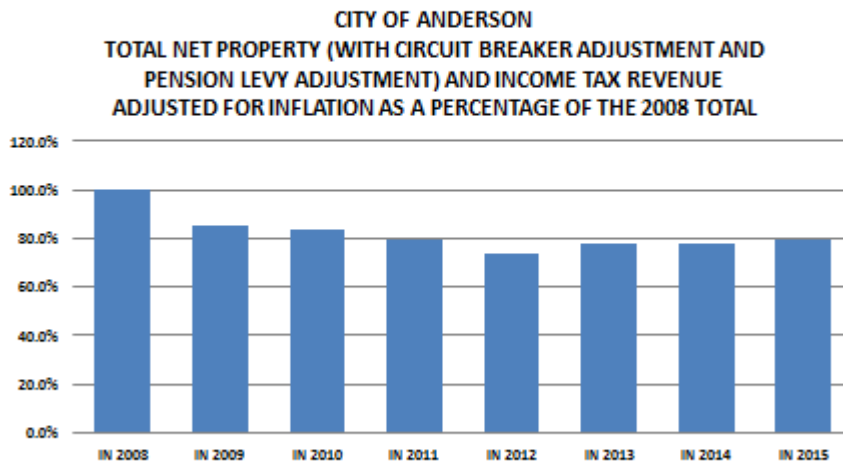
After the annual “core income” was determined for Anderson, this revenue was then adjusted for inflation, creating the real value of the annual revenue for comparison over the 2008-2015 timeframe. Figure 8 illustrates the inflation adjusted core income for the City of Anderson from 2008 through 2015.

FIGURE 8



Notwithstanding the adoption of these two LOITs, the City of Anderson's total certified property tax levy, net of circuit breaker, plus income tax revenue was, after adjusting for inflation, 79.2 percent of the 2008 total. This was the fourth lowest Fiscal Capacity Index ranking of the eighteen selected municipalities. Between 2009 and 2015 the cumulative loss of core revenue compared with the 2008 total was \$34,428,215. This was the equivalent of 111 percent of 2008 core revenue.

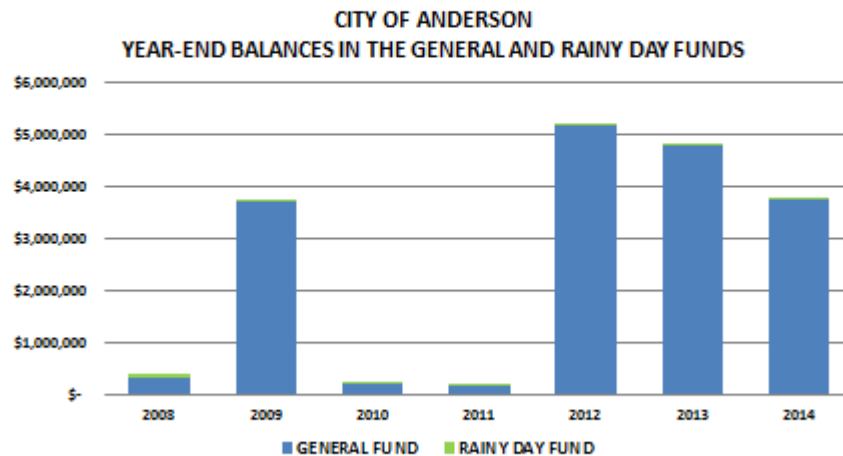
FIGURE 9



Year-End Balances, Annual Receipts and Annual Disbursements

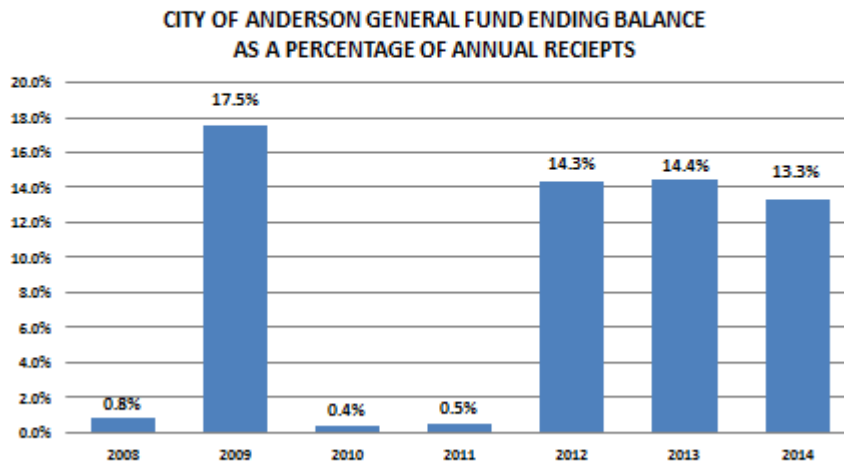
The 2014 year-end balance, including reserved and obligated funds, in the City of Anderson's General Fund was \$3,746,196. Its Rainy Day Fund ended 2014 with a balance of \$95. The combined total balance for both funds at year-end 2014 was \$3,746,291. This was 13.3 percent of annual receipts from both funds combined, ranking as the 11th highest of the eighteen selected municipalities. The combined total represented \$68 per capita, also the 11th highest ranking. The combined General and Rainy Day fund balances increased by \$12,551 between 2009 and 2014. This was the 10th highest ranking among the selected municipalities.

FIGURE 10



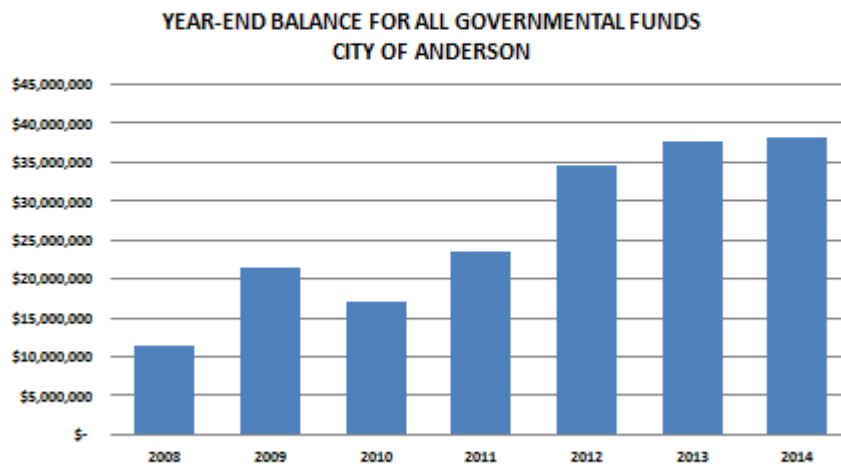
The 2014 year-end balance for all Governmental Funds for the City of Anderson was \$38,126,690. This was \$688 per capita, ranking 10th highest among the selected municipalities. The year-end balance for all Governmental Funds was 41.0 percent of the 2014 receipts in those funds. General Fund disbursements represented 31.6 percent of all Governmental Fund disbursements in 2014. Total disbursements for Governmental Funds in 2014 were \$92,457,345. Total disbursements from all funds, including Governmental and Enterprise type funds, were \$230,520,429 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$92,928,178. This was \$1,676 per capita, ranking as the 10th highest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 28.6 percent of all Governmental Fund receipts in 2014 for the City of Anderson.

FIGURE 12



Intergovernmental Revenue

The information in this section was obtained from the IUPUI’s Public Policy Institute Fiscal Benchmarking Project. 2012 intergovernmental revenue for Anderson was \$21,093,372 and represented 10.7 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 10.1 percent of total annual

revenue. Anderson was the 12th most dependent upon intergovernmental revenues of the selected municipalities.¹ The 2011-2012 average annual intergovernmental revenue per capita from Anderson was \$354, fifth highest among the selected municipalities.

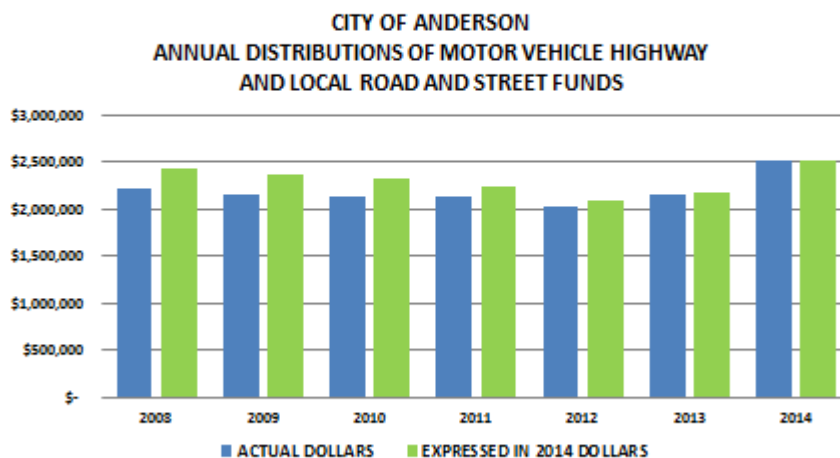
Highway Funding

The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from the Motor Vehicle Highway (MVH) and Local Road and Street (LR&S) funds had not been keeping pace with inflation, this source remains a most important revenue stream for the City of Anderson.

In 2008, the City received a combined total of \$2,209,828 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$2,034,092. The changes to the MVH Account made by the General Assembly beginning with the 2013-2015 State Budget increased the distributions to local units, including the City of Anderson. By 2014, the first full year that the increase was in effect, Anderson’s combined distributions had increased to \$2,523,104. This was a 14.2 percent increase over the 2008 distributions, ranking as the third lowest percentage change among the selected municipalities. After adjusting for inflation, this was a 3.8 percent increase over the 2008 combined MVH and LR&S distributions. The composite inflation adjusted increase for all eighteen selected municipalities was 15 percent.

The City of Anderson does not currently levy property taxes to support either its MVH or LR&S Funds.

FIGURE 13



Debt

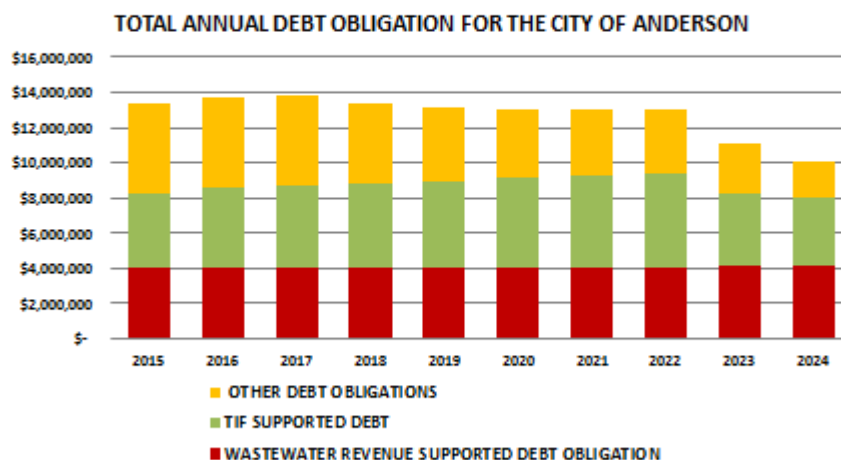
Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Anderson had total outstanding debt of \$151,852,767. This was \$2,723 of outstanding debt per capita, ranking ninth highest among the selected municipalities.

¹ There was no data available on Intergovernmental Revenue for the City of Lafayette.

Of the total outstanding debt, 38.3 percent was supported by wastewater revenues, 11.4 percent was supported by water revenues and 32.9 percent was supported by tax increment finance revenues. The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$471, seventh highest among the selected municipalities.

As of July 1, 2014, the City of Anderson did not have any outstanding debt supported with local income revenues.

FIGURE 14



There is an Anderson Sanitary District that has a special levy to support debt retirement.

The 2024 projected total debt payments of all current outstanding debt is 75.4 percent of the 2015 projected payments. According to the IUPUI Public Policy Institute’s Fiscal Benchmarking Project, the 2012 Debt Service Ratio for the City of Anderson is 7.0 percent.

Summary Observations

The property-tax changes enacted in HEA 1001 in 2008 have had a substantial impact on the finances of the City of Anderson. That Anderson operates in the most difficult economic climate of the eighteen municipalities included in this study only compounds those changes. While Anderson has experienced a nearly fifteen percent growth in gross assessed valuation since 2007 to 2008, the increases in the homestead deductions included in the 2008 legislation dramatically impacted the City’s net assessed valuation. It had a greater decrease in net assessed valuation the year the new homestead deduction went into effect than any of the eighteen selected municipalities. Since that year, 2008 to 2009, net assessed valuation has continued to decline slightly. The City of Anderson had the second lowest net assessed valuation per capita of the eighteen selected municipalities.

The City currently has the third highest property tax rate of the selected municipalities and also had the third highest increase in their rate between 2007 and 2015. The property tax levy increase between 2011 and 2015 was about equal to the allowable growth quotient (the six year rolling average of statewide non-farm personal income). Notwithstanding its relatively high property tax rate, the relatively low net assessed valuation per capita leads to only a modest property tax levy per capita compared with the other municipalities studied herein. Anderson lost 36.7 percent of its 2015 certified property tax levy to circuit breaker credits. This was the fourth highest percentage loss among the selected municipalities.

Madison County has a 1.75 percent local income tax rate. The Public Safety LOIT was enacted in 2010 at the 0.25 percent rate, allowing the City of Anderson's 2015 certified income tax revenue to exceed its 2008 amount even after adjusting for inflation. Madison County also has adopted the Property Tax Relief LOIT at the 0.5 percent rate. This has helped to indirectly reduce the property tax cap impact on Anderson's property tax revenue. In spite of these new local income taxes, the City of Anderson had the fourth lowest Fiscal Capacity Index score among the eighteen municipalities.

After seeing its combined year-end balances in the General and Rainy Day Funds fall to very low levels in 2010 and 2011, the City was able to rebuild its General Fund balance in 2012. Although the balance has declined in 2013 and again in 2014, it still remains slightly above the 2009 combined General and Rainy Day Fund balance. Anderson's 2014 disbursements per capita of \$1,667 ranked in the mid-range among the studied municipalities. The City's outstanding debt per capita as of July, 2014 also ranked in the mid-range of the eighteen municipalities. Anderson ranked fifteenth out of eighteen on the overall Fiscal Health Index compiled in this study.