



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

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Introduction

This document is a summary of financial information on the City of Fort Wayne 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 Fort Wayne 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 Fort Wayne has been functioning in ninth strongest economic climate among the eighteen selected municipalities.

In 1970, the City of Fort Wayne had 178,269 residents. That total represented 64 percent of the Allen County population. In 2014, the estimated population of Fort Wayne was 258,522. That total represented 71 percent of the Allen County population, an increase of 7 percentage points from 1970. Between 1970 and 2014, Fort Wayne gained 80,253 residents, a 44 percent increase. Between 2006 and 2014, Fort Wayne gained an estimated 9,885 residents for a 4.0 percent increase.

Total personal income in Allen County increased by 16.2 percent between 2006 and 2013. This was the tenth highest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Allen County was \$37,560, eighth highest among the selected counties. This was 97.3 percent of statewide per capita personal income. In 1970, per capita personal income in Allen County was 107.6 percent of the statewide per capita personal income.

Allen County has experienced long-term gain in employment. In 1970 the countywide total for full and part-time employment was 143,217. By 2007, employment in the county had increased to 232,364. However, the county experienced a loss of employment between 2007 and 2013 to a total of 225,997 by 2013. The longer-term increase between 1970 and 2013 was 57.8 percent, the eighth highest rate of increase among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 2.7 percent, the seventh best performance 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 Allen County in 2013 was \$19,844,606,501. The per capita GRP was \$54,579 in 2013. This was the second highest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Fort Wayne ranked 9th 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 133 out of a possible 270 points. This indicates that the City of Fort Wayne has been operating in a relatively neutral 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

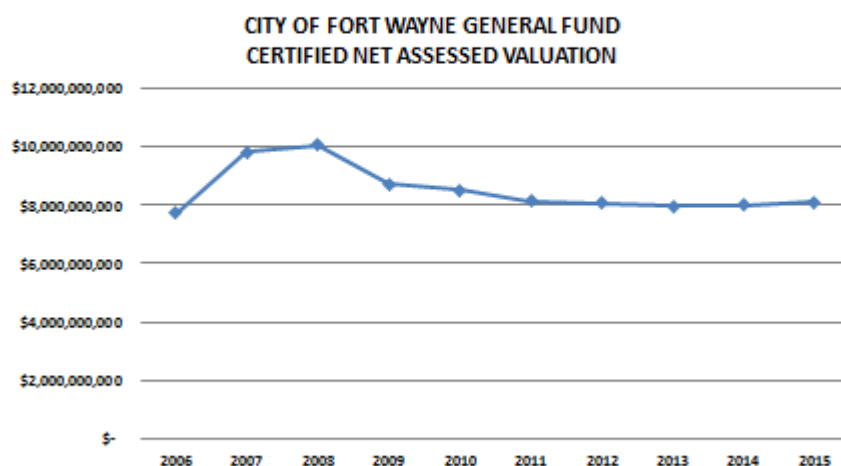
relative income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Fort Wayne was \$13,792,438,911 in 2014 pay 2015. This was a 3.6 percent decrease over the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$53,351 per capita in 2014 pay 2015, ranking 13th among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 17.3 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 29.4 percent of Anderson's gross assessed valuation. In 2007 pay 2008 2.5 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 4.1 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 72.3 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had fallen to 60.2 percent.

Figure 1 illustrates the changes in net assessed valuation for Fort Wayne from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Fort Wayne General Fund is \$8,093,724,951 for 2014 pay 2015. That is down from \$9,824,189,539 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 Fort Wayne declined by 13.5 percent, the fifth largest decline among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Fort Wayne's net assessed valuation continued to decline by an additional 7.1 percent, the fifth highest rate of decrease among the selected municipalities. Net assessed valuation per capita in Fort Wayne was \$31,308 in 2014 pay 2015, ranking 10th among the eighteen municipalities. Over the past year, net assessed valuation for the City of Fort Wayne General Fund increased by 1.1 percent. In 2014 pay 2015, 4.1 percent of the City of Fort Wayne's General Fund net assessed valuation was captured by tax increment financing districts. This was the third lowest percentage among the twenty selected municipalities.

FIGURE 1



In 2006 pay 2007, the City of Fort Wayne’s certified net assessed valuation was 64.3 percent of the net assessed value countywide in Allen County. By 2014 pay 2015, the City’s portion of the countywide net assessed value had decreased to 60.9 percent.

Annual Property Tax Certified Levies and Rates

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

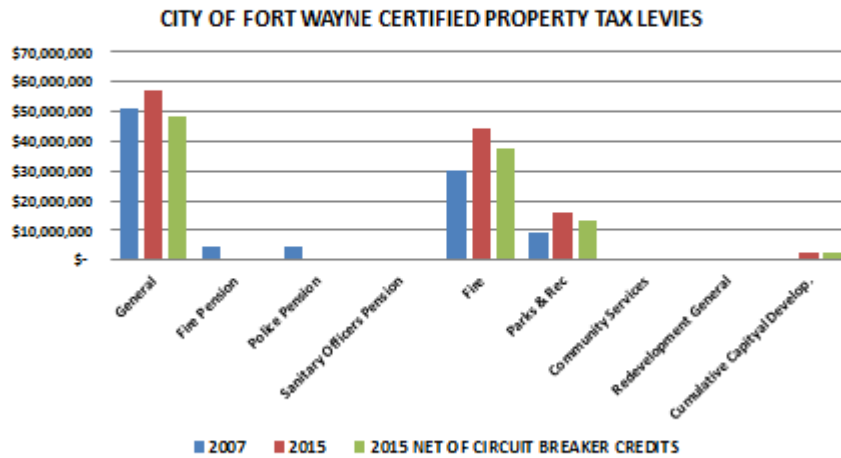
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$80,555,927	\$50,791,060	\$0.5170
Fire Pension	\$7,625,880	\$4,277,190	\$0.0443
Police Pension	\$8,924,059	\$4,273,522	\$0.0435
Sanitary Officers Pension	\$548,241	\$412,616	\$0.0042
Fire	\$33,376,891	\$30,201,020	\$0.3128
Parks	\$11,613,062	\$8,954,997	\$0.0923
Redevelopment General	\$466,954	\$530,506	\$0.0054
Total	\$143,111,014	\$99,440,911	\$1.0195

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

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$91,135,282	\$57,206,448	\$0.7068
Sanitary Officers Pension	\$528,079	\$574,654	\$0.0071
Community Services	\$7,300	\$8,094	\$0.0001
Fire	\$39,269,986	\$44,074,260	\$0.5557
Parks	\$16,073,558	\$15,958,880	\$0.1991
Cum. Capital Development	\$2,200,000	\$2,646,648	\$0.0327
Redevelopment General	\$664,510	\$736,529	\$0.0091
Total	\$149,878,715	\$121,205,513	\$1.5106

Source: Department of Local Government Finance Annual Budget Orders

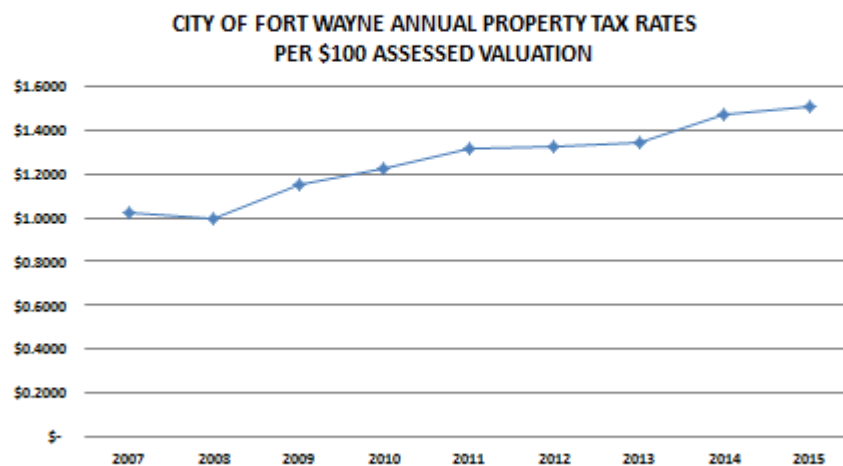
FIGURE 2



The City of Fort Wayne's 2015 property tax rate of \$1.5106 ranked as the tenth lowest among the eighteen selected municipalities. Fort Wayne's property tax rate increased by \$0.04911 between 2007 and 2015. This was a 48.2% increase. The increase, in cents per \$100 assessed valuation, ranked seventh highest among the selected communities and was also the eighth highest as a percentage increase.

The City of Fort Wayne has adopted a Cumulative Capital Development Fund with a 2015 rate of \$0.0327. It does not levy any property taxes to support Police and Fire Pension Funds or any debt service funds.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of Fort Wayne lost \$18,570,414 in property tax revenue due to Circuit Breaker credits. That was 15.3 percent of its Certified Property Tax Levy, tied for the ninth highest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 90.4 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Fort Wayne were \$72 per capita (10th fourth highest). The City of Fort Wayne lost another \$732,082 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

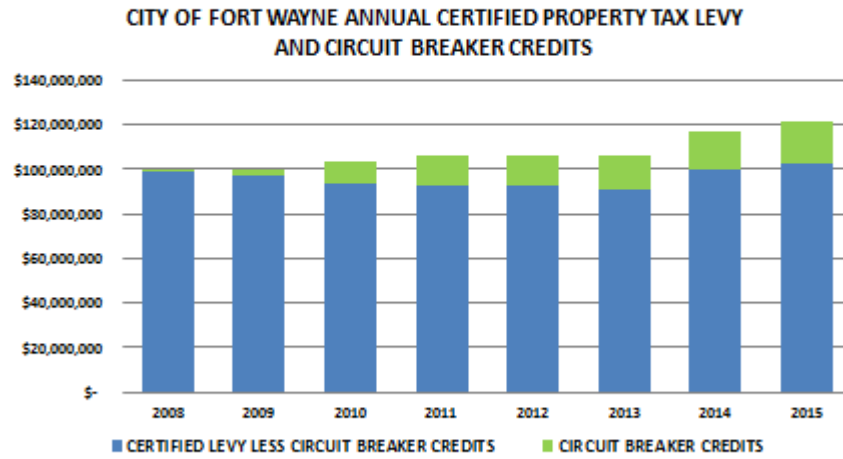


FIGURE 5

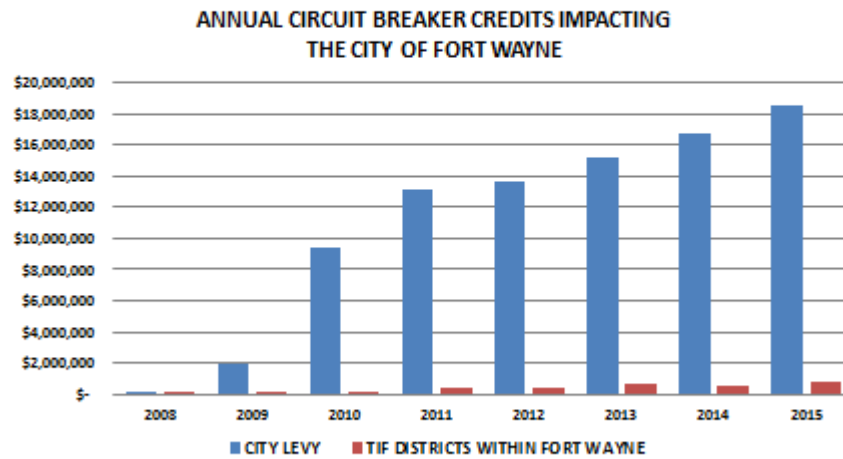
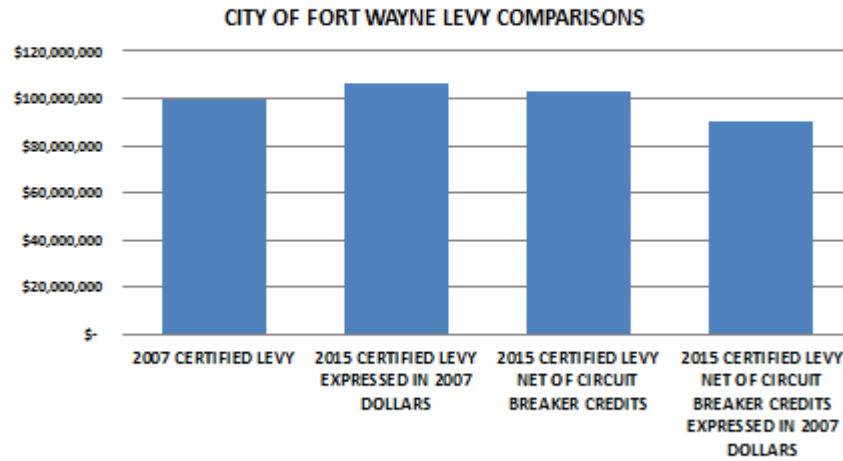


FIGURE 6



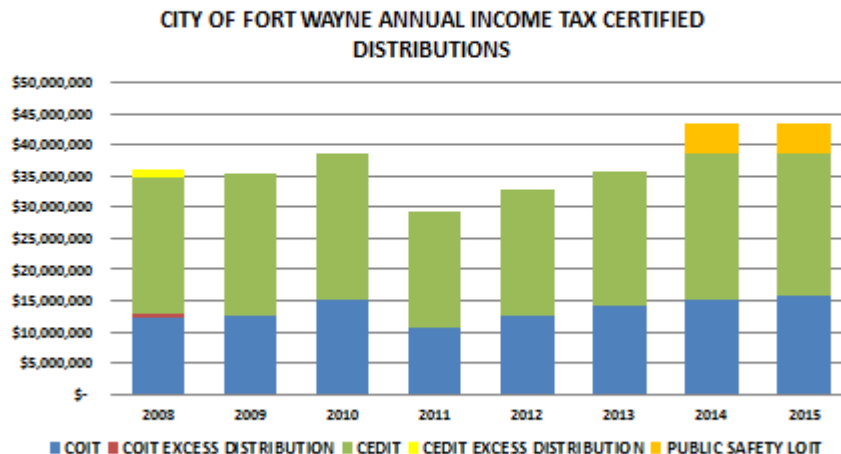
Local Income Taxes

Allen County is a County Option Income Tax county at a rate of 0.6% and has a County Economic Development Income Tax at a rate of 0.4%. Allen County adopted the Public Safety LOIT in 2013, effective in 2014, at a 0.1% and adopted the LOIT for Property Tax Relief, also in 2013, at the 0.25% rate. The City of Fort Wayne has 71.4 percent of the votes in the Allen County Income Tax Council.

In 2008, the City of Fort Wayne received \$35,936,306 in local income tax distributions. By 2015 these distributions had increased to \$43,531,042. The 2008 distribution would have needed to be \$39,831,083 in 2015 to keep pace with inflation.

Local income tax revenue represented 26.5 percent of Fort Wayne's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion grew to 29.8 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



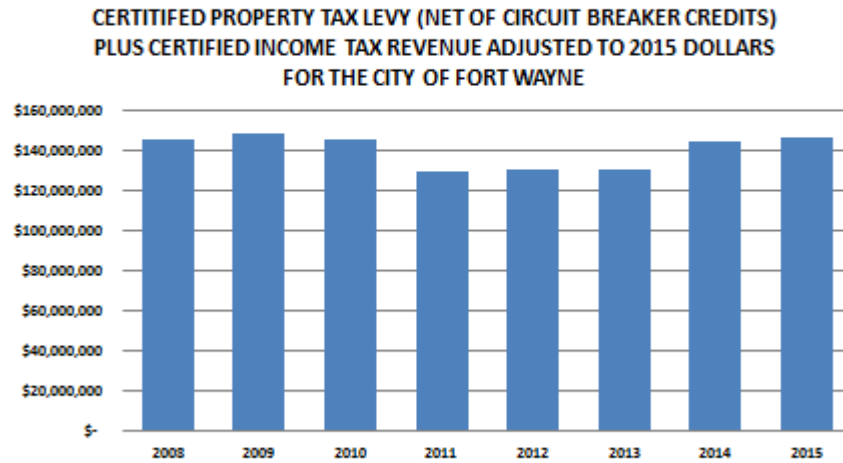
Fiscal Capacity Index

After exploring the changes which have occurred to the property and income tax revenues to the City of Fort Wayne, 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 Fort Wayne, 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 Fort Wayne from 2008 through 2015.

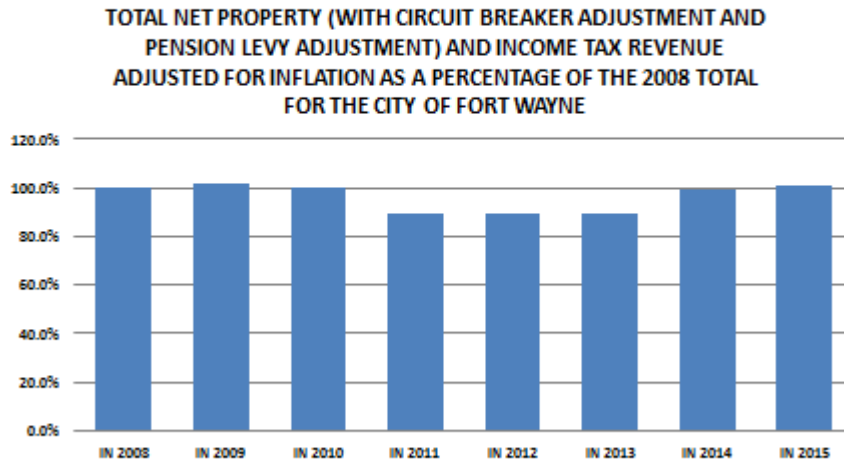
FIGURE 8



The City of Fort Wayne's total certified property tax levy, net of circuit breaker credits, plus income tax revenue was, after adjusting for inflation, 100.7 percent of the 2008 total.¹ This was the sixth highest Fiscal Capacity Index ranking of the eighteen selected municipalities. Between 2009 and 2015 the cumulative gain of core revenue compared with the 2008 total was \$12,579,815. This was the equivalent of 10 percent of 2008 core revenue.

¹ The 2008 levy was adjusted to remove the Police and Fire Pension levies that the State took over in 2009.

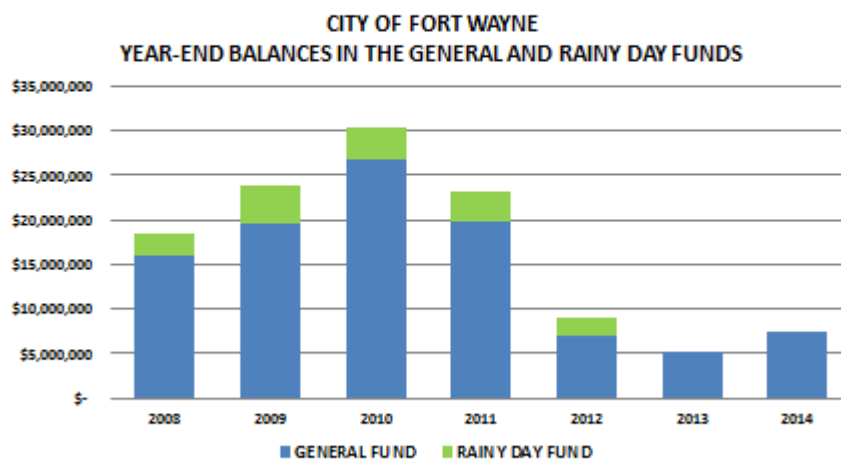
FIGURE 9



Year-End Balances, Annual Receipts and Annual Disbursements

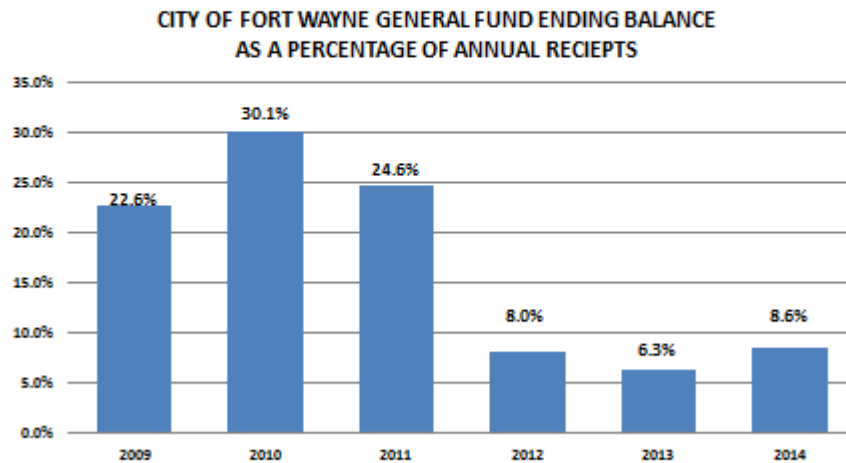
The 2014 year-end balance, including reserved and obligated funds, in the City of Fort Wayne’s General Fund was \$7,543,248. Its Rainy Day Fund ended 2014 with a balance of \$0. The combined total balance for both funds at year-end 2014 was \$7,543,248. This was 8.6 percent of annual receipts from both funds combined, ranking as the sixth lowest of the eighteen selected municipalities. The combined total represented \$29 per capita, the fifth lowest ranking. The combined General and Rainy Day fund balances decreased by 16,438,013 between 2009 and 2014. This was the largest decline among the selected municipalities.

FIGURE 10



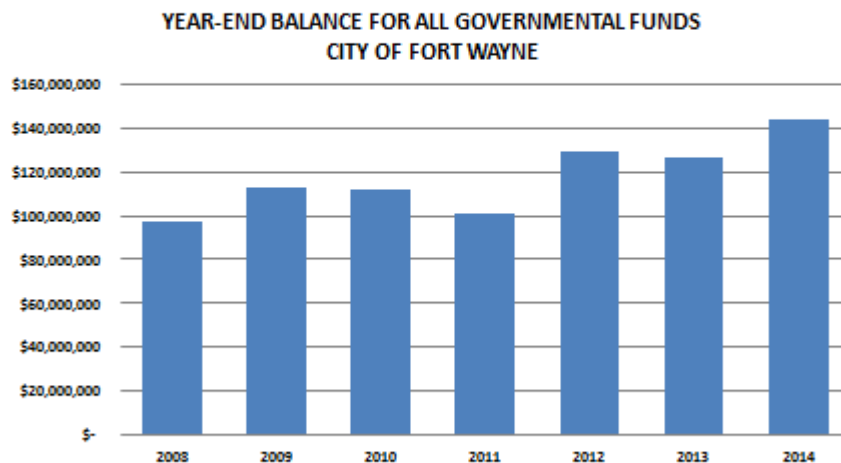
The 2014 year-end balance for all Governmental Funds for the City of Fort Wayne was \$143,689,628. This was \$556 per capita, ranking sixth lowest among the selected municipalities. General Fund disbursements represented 24.2 percent of all Governmental Fund disbursements in 2014. The year-end balance for all Governmental Funds was 38.7 percent of the 2014 receipts in those funds. Total disbursements from all Governmental Funds in 2014 were \$354,677,144. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$635,789,041 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$371,533,937. This was \$1,437 per capita, ranking as the sixth lowest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 38.6 percent of all Governmental Fund receipts in 2014 for the City of Fort Wayne.

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 Fort Wayne was \$35,688,896 and represented 7.7 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 8.8 percent of total annual revenue. Fort Wayne ranked as the 14th most dependent on Intergovernmental Revenues among the selected municipalities.² The 2011-2012 average annual intergovernmental revenue per capita was \$148, also ranking Fort Wayne as the 14 highest among the selected municipalities.

Highway Funding

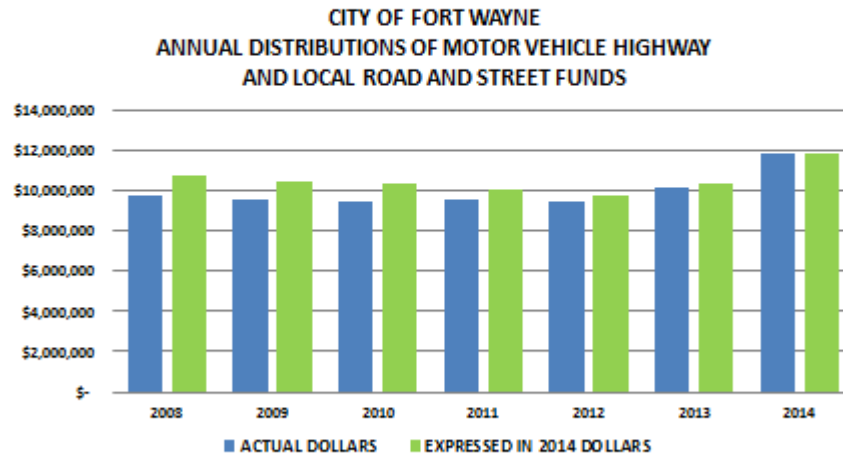
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from 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 Fort Wayne.

In 2008, the City received a combined total of \$9,764,909 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$9,435,739. 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 Fort Wayne. By 2014, the first full year that the increase was in effect, Fort Wayne's combined distributions had increased to \$11,869,202. This was a 21.5 percent increase over the 2008 distributions, ranking as the 11th highest percentage change among the selected municipalities. After adjusting for inflation, this was a 10.5 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 Fort Wayne does not currently levy property taxes to support either its MVH or LR&S Funds.

² There was no data available on Intergovernmental Revenue for the City of Lafayette.

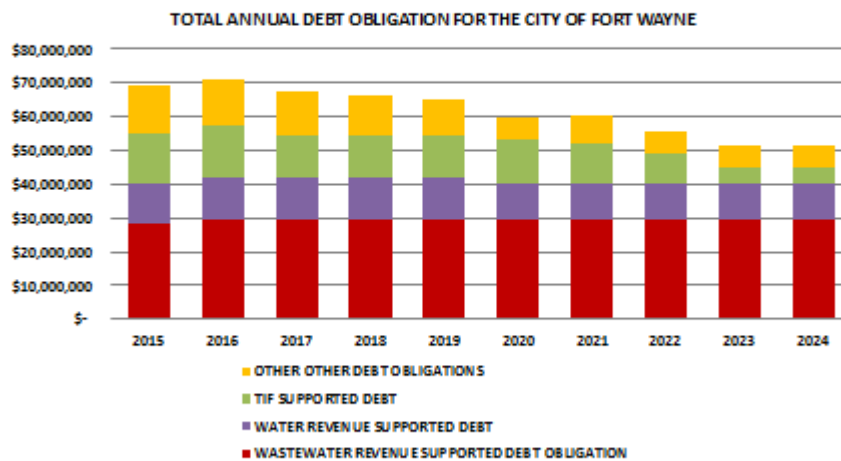
FIGURE 13



Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Fort Wayne had total outstanding debt of \$977,017,036. This was \$3,809 of outstanding debt per capita, ranking fourth highest among the selected municipalities. Of the total outstanding debt, 50.2 percent was supported by wastewater revenues, 21.7 percent was supported by water revenues and 4.9 percent was supported by tax increment finance revenues. The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$885, fourth highest among the selected municipalities. As of July 1, 2014, the City of Fort Wayne had \$151,227,993 in outstanding debt supported with County Economic Development Income Tax revenues. This was 6.6 times the City's 2015 CEDIT certified distribution.

FIGURE 14



The 2024 projected total debt payments of all current outstanding debt is 73.7 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 Fort Wayne is 16.3 percent.

Summary Observations

The property tax changes enacted in HEA 1001-2008 had a significant impact on the City of Fort Wayne property tax revenues that it eventually compensated for by adopting the Property Tax Relief and Public Safety LOIT. The City has been operating in a relatively neutral economic climate compared with the other municipalities included in this study, ranking ninth on the Economic Climate Index. Indicative of this economic climate was its 3.6 percent drop in gross assessed valuation between 2007 pay 2008 and 2014 pay 2015. This was the sixth poorest change in gross assessed valuation among the eighteen selected municipalities.

The City's net assessed valuation was certainly impacted by the increases to the homestead deductions as it experienced the fifth highest drop in net assessed valuation the year after the additional deductions went into effect. Its net assessed valuation decline between 2007 pay 2008 and 2014 pay 2015 has been among the highest of the selected municipalities, losing nearly 20 percent of its net assessed valuation over this period. The City's 2015 certified net assessed valuation per capita was in the mid-range among the selected municipalities.

Fort Wayne's 2015 property tax rate of \$1.5106 per \$100 of assessed value was in the mid-range of the rates among the selected municipalities. Its growth in certified property tax levy, before property tax cap related reduction, exceeded the amount needed to keep pace with inflation between 2006 and 2015 and was the fifth highest percentage increase among the eighteen municipalities. However, the City's actual property tax revenue was significantly diminished by circuit breaker credits after their enactment. In 2015, the City lost 15 percent of its certified property tax levy to circuit breaker credits. This was in the mid-range of percentage loss among the selected municipalities.

In 2008, Allen County had a local income tax rate of 1.0 percent. In 2013, the Property Tax Relief LOIT was adopted at a 0.25 percent rate and the Public Safety LOIT was adopted at a 0.1 percent rate. By 2015 the City's income tax revenue exceeded the amount needed to keep pace with inflation compared with 2008 revenue. The combination of property and income tax increases allowed the City to fully compensate for the circuit breaker losses as its "core revenue" in 2015 just keep pace with inflation adjusted 2008 core revenues. This placed Fort Wayne as sixth best on this study's Fiscal Capacity Index.

Fort Wayne's experienced the largest decrease in the combined General and Rainy Day Fund year-end balances of any of the eighteen selected municipalities. It depleted more than \$16 million in balance reserves and completely spent down all of its Rainy Day Fund to support operating expenses before the property and income tax increases were adopted. The City has the fourth lowest amount of Governmental Fund disbursements per capita in 2014 (\$1,372) of the selected municipalities. The City's total outstanding debt per capita as of July, 2014 of \$3,779 ranked as the fourth highest among the selected municipalities. The combination of the key indicators examined placed the City of Fort Wayne eleventh out of eighteen on the overall Fiscal Health Index prepared as part of this study.