



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

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CITY OF MUNCIE MUNICIPAL PROFILE

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Introduction

This document is a summary of financial information on the City of Muncie 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 Muncie 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 Muncie has been functioning in the second most difficult economic climate of the eighteen selected municipalities.

In 1970, the City of Muncie had 69,082 residents. That total represented 53 percent of the Delaware County population. In 2014, the estimated population of Muncie was 70,211. That total represented 60 percent of the Delaware County population, an increase of 7 percentage points from 1970. Between 1970 and 2014, Muncie gained 1,129 residents, a 2 increase. Between 2006 and 2014 Muncie gained an estimated 4,924 residents for a 7.5 percent increase.

Total personal income in Delaware County increased by 15.6 percent between 2006 and 2013. This was the fifth lowest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Delaware County was \$32,255, second lowest among the selected counties. This was 83.5 percent of statewide per capita personal income. In 1970, per capita personal income in Delaware County was 91.0 percent of the statewide per capita personal income.

Delaware County has experienced long-term gain in employment. In 1970 the countywide total employment (full and part-time employment) was 54,161. By 2007, employment in the county had increased to 63,883. Between 2007 and 2013, employment in the county declined, to 59,099 by 2013. The longer-term increase between 1970 and 2013 was 9.1 percent, the third lowest rate of change among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 7.5 percent, the highest rate of 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 Delaware County in 2013 was \$3,718,357,151. The per capita GRP was \$31,685 in 2013. This was the third lowest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Muncie ranked 17th 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 74 out of a possible 270 points. This indicates that the City of Muncie has been operating in a 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

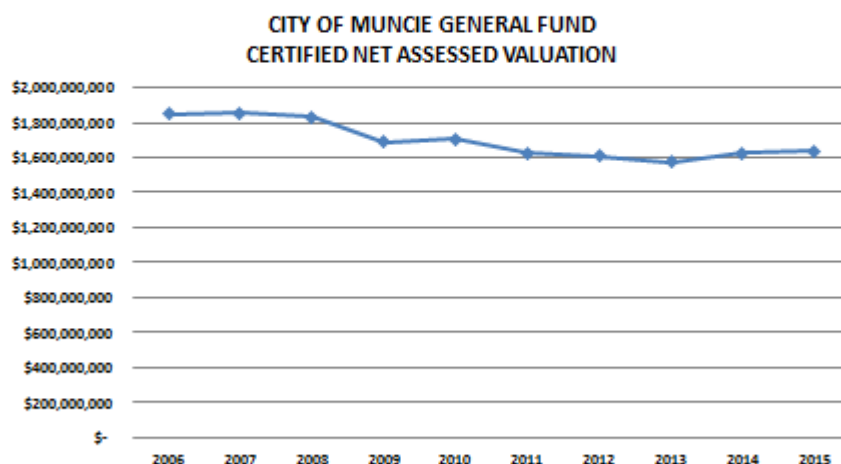
income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Muncie was \$3,163,513,420 in 2014 pay 2015. This was a 12.1 percent increase over the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$45,057 per capita in 2014 pay 2015, ranking last among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 15.1 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 19.5 percent of Muncie's gross assessed valuation. In 2007 pay 2008 4.7 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 8.6 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 68.1 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had fallen to 54.5 percent.

Figure 1 illustrates the changes in net assessed valuation for Muncie from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Muncie General Fund is \$1,639,094,082 for 2014 pay 2015. That is down from \$1,845,954,185 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 Muncie declined by 7.9 percent, the sixth lowest impact among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Muncie's net assessed valuation continued to decline by an additional 2.8 percent, the 7th highest rate of decrease among the selected municipalities. Net assessed valuation per capita in Muncie was \$23,345 in 2014 pay 2015, ranking 16th among the eighteen municipalities. Over the past year, net assessed valuation for the City of Muncie General Fund increased by 0.8 percent. In 2014 pay 2015, 8.6 percent of the City of Muncie's General Fund net assessed valuation was captured by tax increment financing districts.

FIGURE 1



In 2006 pay 2007, the City of Muncie’s certified net assessed valuation was 47.4 percent of the net assessed value countywide in Delaware County. By 2014 pay 2015, the City’s portion of the countywide net assessed value had increased to 48.2 percent.

Annual Property Tax Certified Budgets, Levies and Rates

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

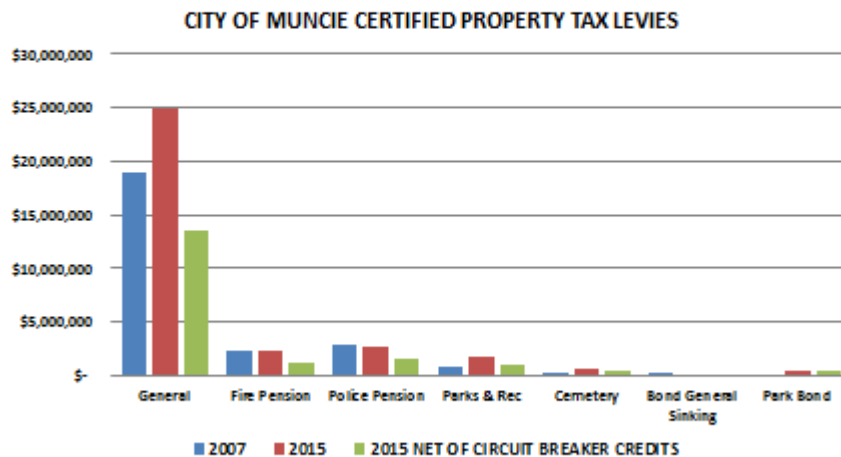
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$25,257,871	\$18,859,874	\$1.0165
Bond-General Sinking	\$52,530	\$35,252	\$0.0019
Fire Pension	\$4,612,986	\$2,295,097	\$0.1237
Police Pension	\$4,307,070	\$2,890,672	\$0.1558
Park	\$1,525,305	\$892,435	\$0.0481
Cemetery	\$447,938	\$313,558	\$0.0169
Total	\$36,203,700	\$25,286,888	\$1.3629

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

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$0	\$24,963,403	\$1.5230
Fire Pension	\$4,128,259	\$2,227,529	\$0.1359
Police Pension	\$3,842,129	\$2,748,761	\$0.1677
Park	\$1,295,618	\$1,753,831	\$0.1070
Park Bond	\$163,632	\$381,909	\$0.0233
Cemetery	\$509,247	\$713,006	\$0.0435
Total	\$9,938,885	\$32,788,439	\$2.0004

Source: Department of Local Government Finance Annual Budget Orders

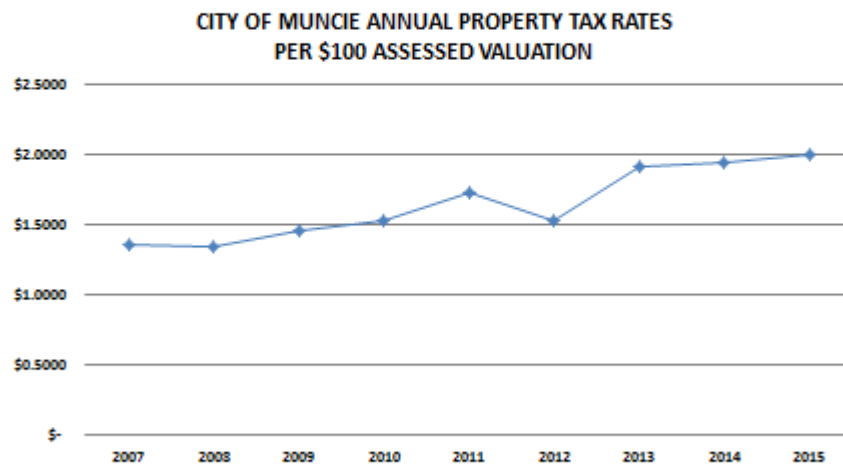
FIGURE 2



The City of Muncie's 2015 property tax rate of \$2.0004 ranked as the fourth highest among the eighteen selected municipalities. Muncie's property tax rate increased by \$0.6375 between 2007 and 2015. This was a 46.8 percent increase. The increase, in cents per \$100 assessed valuation, ranked fourth highest among the selected communities and was the tenth highest as a percentage increase.

The City of Muncie continues to support its Police Pension and Fire Pension Funds with property tax levies. As of the 2015 Certified Budget, Muncie has not adopted a Cumulative Capital Development Fund. 1.2 percent of its property tax rate is used to support debt service funds. There is also a Muncie Sanitary District which levies property taxes. Its 2015 property tax rate is \$0.4900.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of Muncie lost \$14,796,394 in property tax revenue due to Circuit Breaker credits. That was 45.1 percent of its Certified Property Tax Levy, the highest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 62.4 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Muncie were \$211 per capita (third highest among the eighteen municipalities) and \$903 per \$100 of assessed valuation (also third highest). The City of Muncie lost another \$3,633,306 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

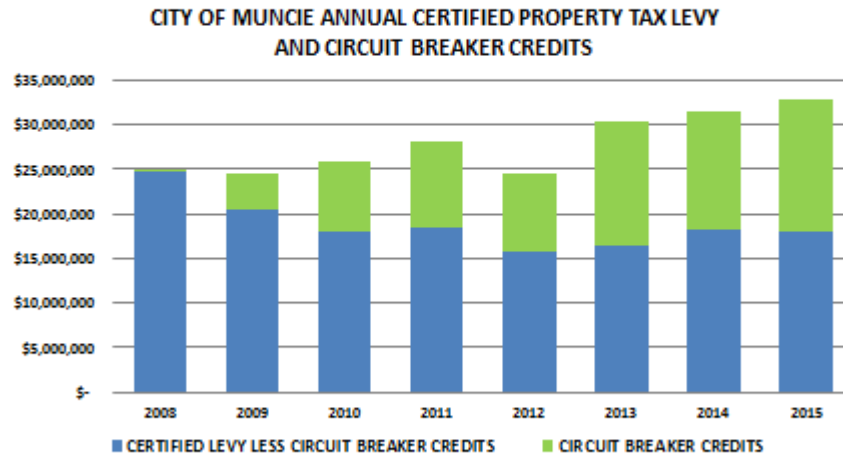


FIGURE 5

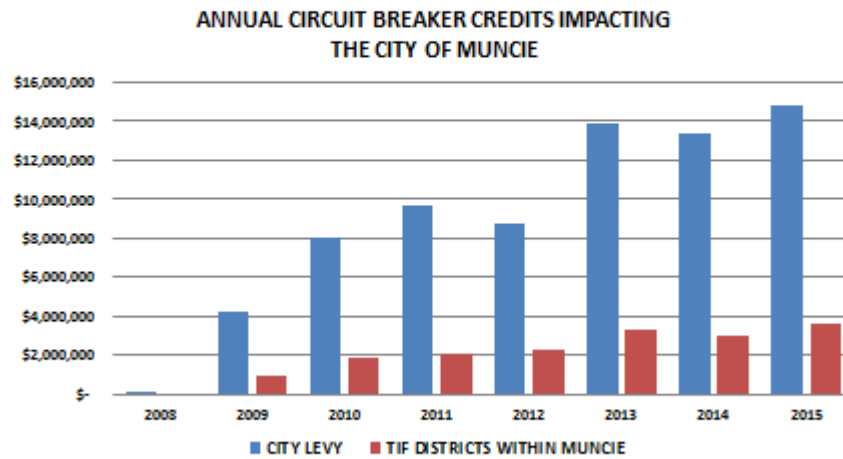
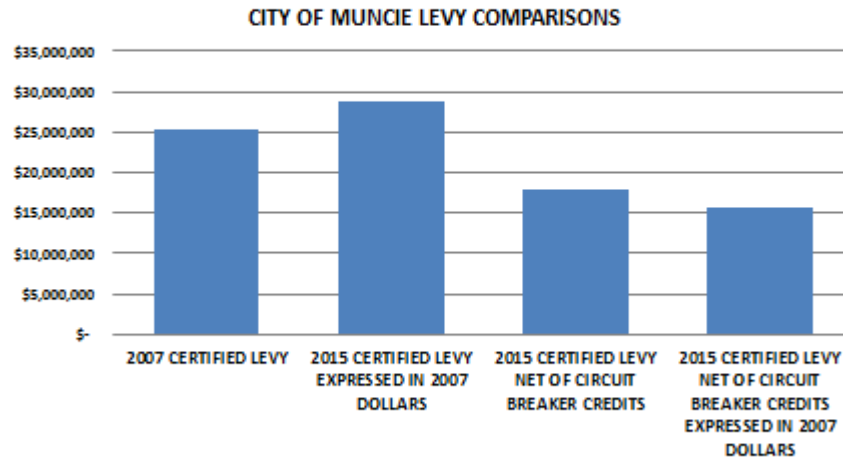


Figure 5 circuit breaker credits within Muncie’s tax increment financing districts includes annexation-related TIFs.

FIGURE 6



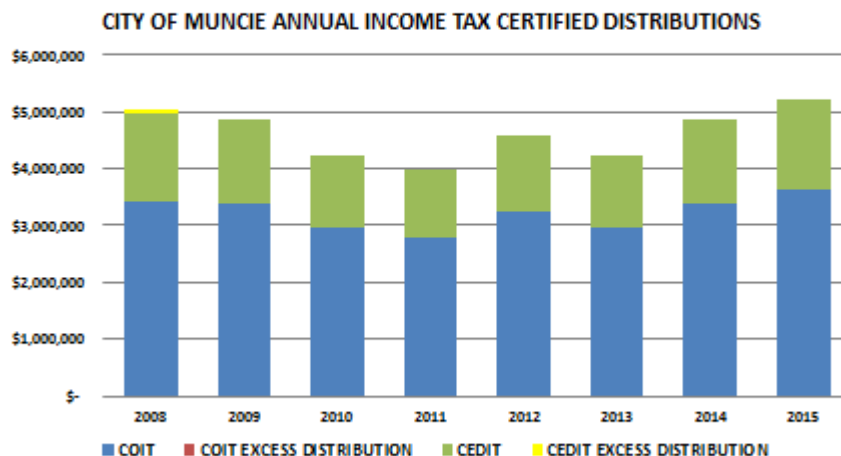
Local Income Taxes

Delaware County has adopted the County Option Income Tax at a rate of 0.6% and the County Economic Development Income Tax at a rate of 0.2%. It also has adopted the CEDIT Homestead Credit at a 0.25% rate. As of January, 2015 Delaware County had not adopted either a Property Tax Relief LOIT or the Public Safety LOIT. The Muncie City Council has a controlling 59.6 percent of the votes in the Delaware County Income Tax Council.

In 2008, the City of Muncie received \$5,060,114 in local income tax distributions. By 2015 these distributions had increased to \$5,210,961. The 2008 distribution would have needed to be \$5,608,529 in 2015 to keep pace with inflation.

Local income tax revenue represented 16.9 percent of Muncie's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion grew as income tax revenue represented 22.5 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



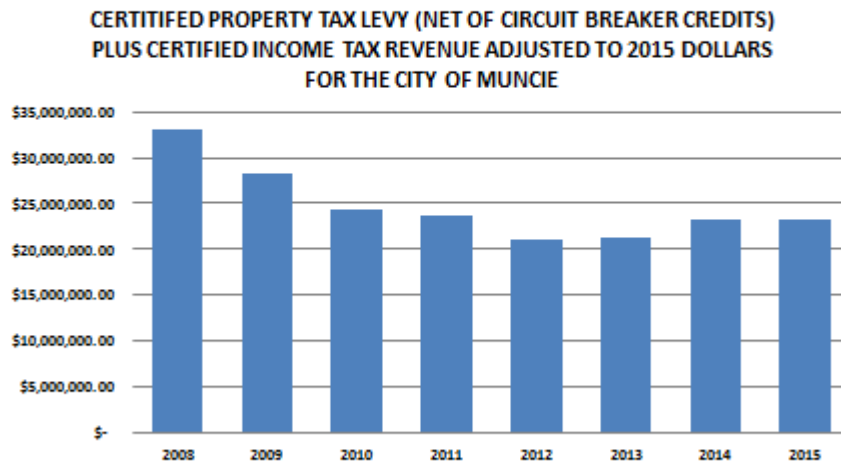
Fiscal Capacity Index

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

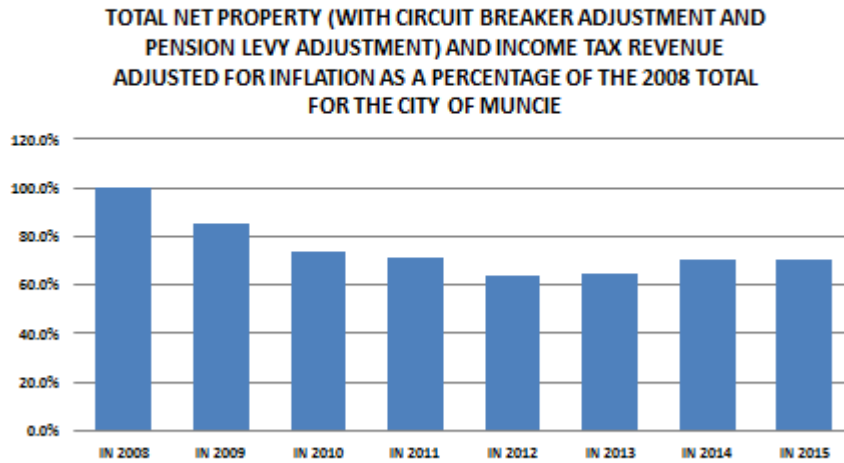
FIGURE 8



The City of Muncie's total certified property tax levy, net of circuit breaker credits, plus income tax revenue was, after adjusting for inflation, 70.0 percent of the 2008 total.¹ This was the second 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 \$52,022,893. This was the equivalent of 174 percent of 2008 core revenue.

¹ The Police and Fire Pension levies for Muncie actually grew after the 2009 takeover of some pension obligations by the State. Therefore the 2008 levy was not adjusted for pension levy changes in the above chart.

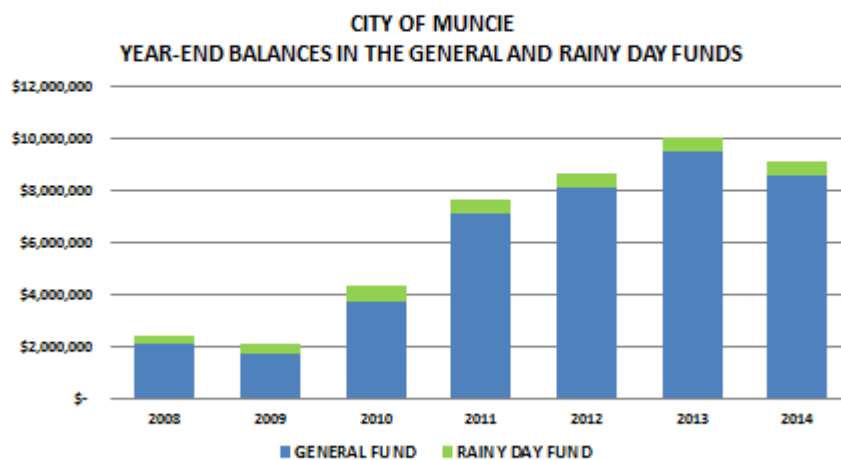
FIGURE 9



Year-End Balances, Annual Receipts and Annual Disbursements

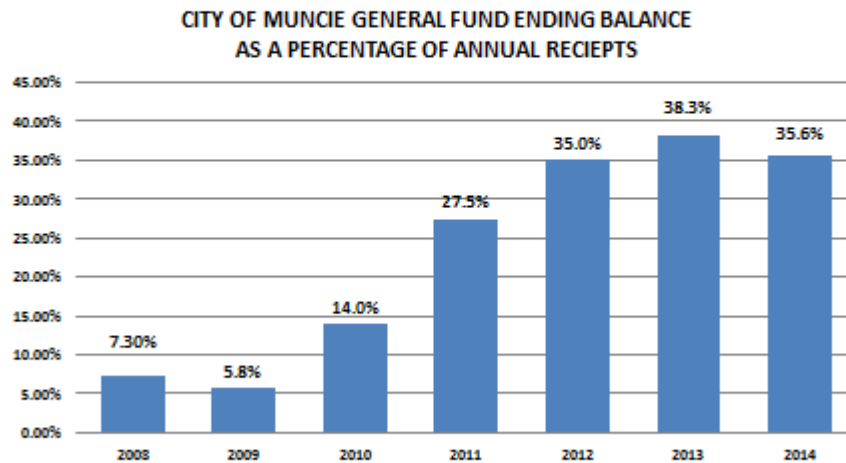
The 2014 year-end balance, including reserved and obligated funds, in the City of Muncie’s General Fund was \$8,592,933. Its Rainy Day Fund ended 2014 with a balance of \$538,319. The combined total balance for both funds at year-end 2014 was \$9,131,252. This was 37.8 percent of annual receipts from both funds combined, ranking as the fifth highest of the eighteen selected municipalities. The combined total represented \$130 per capita, the 10th highest ranking. The combined General and Rainy Day fund balances increased by \$7,074,602 between 2009 and 2014. This was the third highest ranking among the selected municipalities.

FIGURE 10



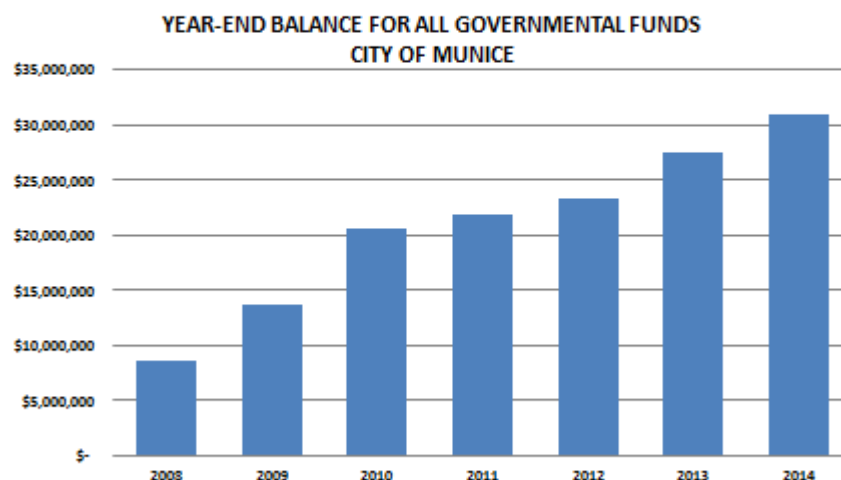
The 2014 year-end balance for all Governmental Funds for the City of Muncie was \$31,008,249. This was \$442 per capita, ranking third lowest among the selected municipalities. General Fund disbursements represented 25.8 percent of all Governmental Fund disbursements in 2014. The year-end balance for all Governmental Funds was 30.8 percent of the 2014 receipts in those funds. Total disbursements from all Governmental Funds in 2014 were \$97,125,638. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$147,791,026 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$100,672,114. This was \$1,434 per capita, ranking as the fifth lowest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 22.9 percent of all Governmental Fund receipts in 2014 for the City of Muncie.

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 Muncie was \$15,373,000 and represented 10.4 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 17.6 percent of total annual revenue. Muncie was the seventh most dependent on Intergovernmental Revenue among the selected municipalities.² The 2011-2012 average annual intergovernmental revenue per capita was \$256, ranking Muncie as the 9th highest among the selected municipalities.

Highway Funding

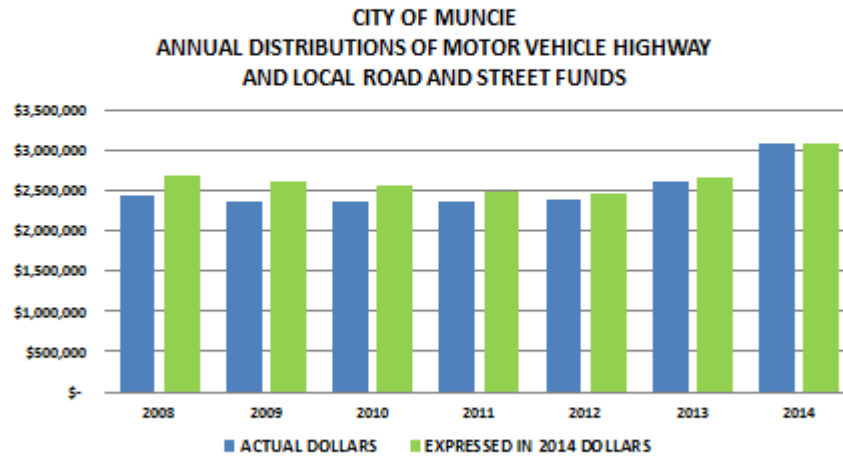
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from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

In 2008, the City received a combined total of \$2,434,985 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$2,385,314. 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 Muncie. By 2014, the first full year that the increase was in effect, Muncie's combined distributions had increased to \$3,075,887. This was a 26.3 percent increase over the 2008 distributions, ranking as the 8th highest percentage change among the selected municipalities. After adjusting for inflation, this was a 19.9 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 Muncie does not currently levy property taxes to support either its MVH or LR&S Funds.

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

FIGURE 13



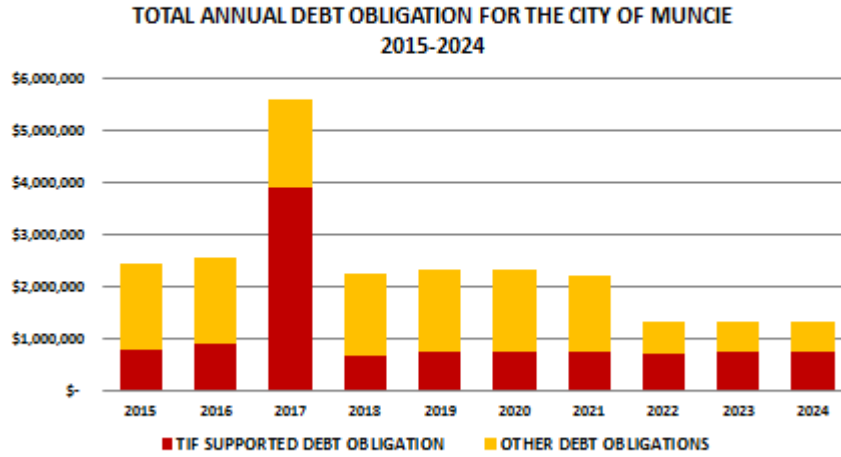
Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Muncie had total outstanding debt of \$28,882,277. This was \$411 of outstanding debt per capita, ranking second lowest among the selected municipalities.

Of the total outstanding debt, none was supported by wastewater revenues, none was supported by water revenues and 50.2 percent was supported by tax increment finance revenues. There is a separate Muncie Sanitary District with \$88,369,857 in outstanding debt as of July 1, 2014. Of that, \$61,443,986 was supported by wastewater revenues. The total outstanding debt per capita for the City of Muncie, excluding debt supported by wastewater, water and TIF revenues was \$204, the sixth lowest among the selected municipalities. This does not include the debt of the Muncie Sanitary District.

As of July 1, 2014, the City of Muncie had \$10,776,205 in outstanding debt supported with County Economic Development Income Tax revenues. This was 6.8 times the City's 2015 CEDIT certified distribution.

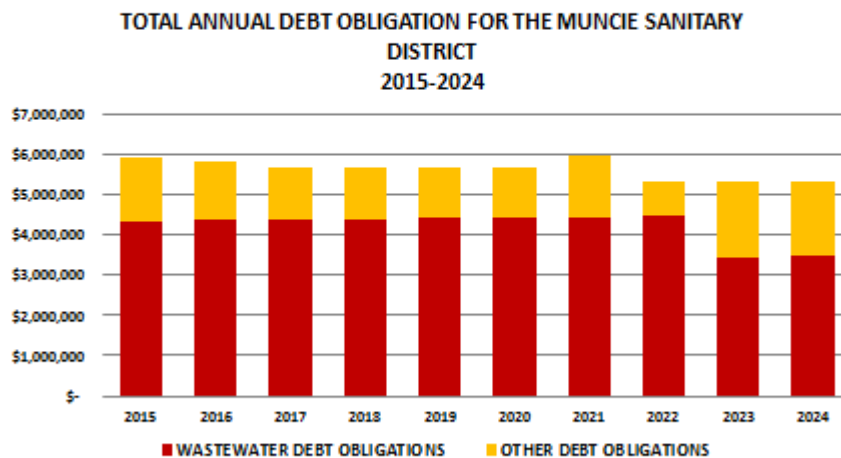
FIGURE 14



The 2024 projected total debt payments of all current outstanding debt is 53.0 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 Muncie is 2.0 percent.

There is a Muncie Sanitary District which has \$67,094,237 in outstanding debt as of July 1, 2014. Of that total, \$49,313,000 is wastewater revenue supported debt and the remainder is property tax supported debt and stormwater revenue supported debt. In 2014, the Muncie Sanitary District had a property tax rate of 0.4803 per \$100 of assessed valuation.

FIGURE 15



Summary Observations

No municipality included in this study has been as severely impacted by the property tax caps as has the City of Muncie. The City has been operating in a difficult economic environment, ranking as the second lowest municipality on this study's Economic Index. Of particular importance, Delaware County's 2013 per capita personal income ranked as the second lowest of the counties that included one or more of the selected municipalities. Also contributing to this difficult economic climate was Muncie's low level of gross assessed valuation per capita – ranking last among the municipalities included in this study. On a more optimistic note, the City's 12 percent gain in gross assessed valuation between 2007 pay 2008 and the current year was greater than the rate of growth for the composite of all eighteen municipalities.

All but two of the studied municipalities experienced a decline in net assessed valuation between 2007 pay 2008 and 2014 pay 2015. Muncie's 10.5 percent decline was in the mid-range among the selected municipalities and was less than the decline experienced by nine other cities. Muncie's net assessed valuation was not among those most severely impacted by the increase in homestead deductions enacted in HEA 1001-2008. However, Muncie has continued to experience a modest decline in net assessed valuation since those changes went into effect in 2008 pay 2009. The City does have one of the lowest rates of net assessed valuation per capita – ranking sixteenth among the eighteen cities.

The City of Muncie's 2015 property tax rate of \$2.0004/\$100 AV was the fourth highest among those municipalities included in this study. That was certainly a major factor contributing to the high percentage of the City's certified property tax levy being lost to the circuit breaker credits. Muncie's property tax rate has continued to climb, increasing by an additional \$0.6375 since 2007. Corresponding with this increase in its property tax rate, Muncie's certified property tax levy also grew by 48 percent between 2006 and 2015 – the fourth highest rate of increase among the selected municipalities. In 2015 the City lost 45.1 percent of its certified property tax levy to the circuit breaker credits. As mentioned previously, this was the highest rate among the eighteen municipalities included in this study and more than double the rate of loss for the composite of all eighteen municipalities.

In 2008, Delaware County had a local income tax rate of 1.05 percent. This rate remained constant through 2015. In 2008, the City of Muncie received \$5,060,114 in local income tax distributions. By 2015 these distributions had increased to \$5,210,961. The 2008 distribution would have needed to be \$5,608,529 in 2015 to keep pace with inflation. Even though Muncie experienced only a small increase in its income tax revenue over this period, because of the high level of circuit breaker credits, the income tax share of "core revenue" actually grew from 17 percent in 2008 to 22.5 percent in 2015. It appears that the City of Muncie does have the controlling share of votes in the Delaware Income Tax Council and therefore can direct the future of local income tax decisions. Muncie's 2015 "core revenue" was only 70 percent of its 2008 core revenue. This placed Muncie next to last on the Fiscal Capacity Index created for this study. This current year percentage of 2008 core revenue reached its low point in Muncie in 2012 at 63.7 percent, so there has been improvement over part three years.

Notwithstanding the substantial loss of property tax revenue, the City of Muncie has been able to build its General Fund year-end balance from a low in 2009 of \$1.7 million to \$8.6 million at the end of 2014. This is a significant achievement in light of the property tax cap impact on the City and that there has been no increase in the local income tax rate. Muncie also carries a \$0.5 million balance in its Rainy Day Fund. Muncie's 2014 disbursements per capita from all Governmental Funds of \$1,383 was the fifth lowest of the eighteen municipalities.

Muncie had outstanding debt per capita of \$411 as of July, 2014, ranking as the second lowest of the selected municipalities. That amount did not include the additional \$67 million in outstanding debt being varied by the Muncie Sanitary District. The combination of a difficult economic climate, the substantial impact of the property tax caps, and local income tax revenues which did not keep pace with inflation all contributed to Muncie being the fifth lowest ranked municipality on this study's overall Fiscal Health Index.