



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

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## CITY OF EVANSVILLE MUNICIPAL PROFILE

### MARCH 2016

#### Introduction

This document is a summary of financial information on the City of Evansville 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 Evansville 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 Evansville has been functioning in the tenth strongest economic climate of the eighteen selected municipalities.

In 1970, the City of Evansville had 138,764 residents. That total represented 82% of the Vanderburgh County population. In 2014, the estimated population of Evansville was 120,346. That total represented 66 percent of the Vanderburgh County population, a decrease of 16 percentage points from 1970. Between 1970 and 2014, Evansville lost 18,418 residents, a 13 percent decline. Between 2006 and 2014, Evansville gained an estimated 4,608 residents for a 4.0 percent increase.

Total personal income in Vanderburgh County increased by 20.7 percent between 2006 and 2013. This was the seventh highest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Vanderburgh County was \$41,808, third highest among the selected counties. This was 108.2 percent of statewide per capita personal income. In 1970, per capita personal income in Vanderburgh County was 101.4 percent of the statewide per capita personal income.

Vanderburgh County has experienced long-term gain in employment. In 1970 the countywide total employment (full and part-time employment) was 86,617. By 2007, employment in the county had increased to 126,872. However, the county experienced a loss of employment between 2007 and 2013 to a total of 123,114 by 2013. The longer-term increase between 1970 and 2013 was 42.2 percent, the sixth lowest rate of increase among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 2.9 percent, tied for the eighth 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 Vanderburgh County in 2013 was \$9,638,491,222. The per capita GRP was \$53,098 in 2013. This was the fifth highest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Evansville ranked 10<sup>th</sup> 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 132 out of a possible 270 points. This indicates that the City of Evansville has been operating in a relatively neutral economic environment in comparison with the group of municipalities

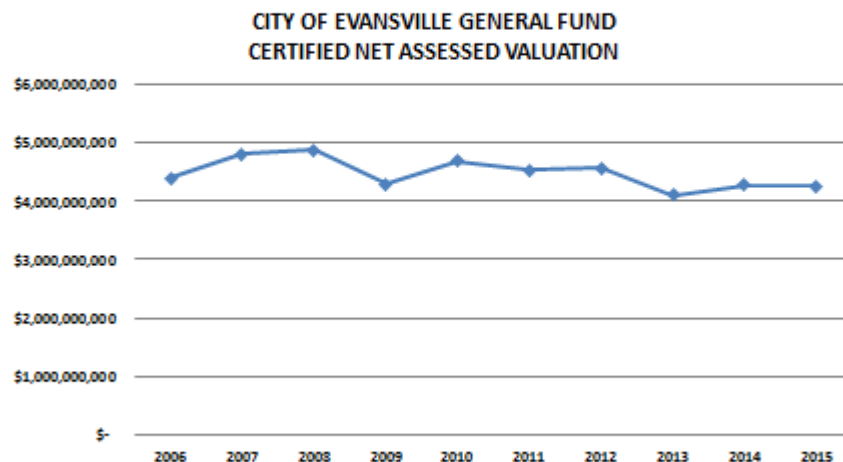
included in this study. Some of these factors, such as per capita personal income relate closely to the relative income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Evansville was \$6,954,759,780 in 2014 pay 2015. This was a 12.5 percent decrease from the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$57,790 per capita in 2014 pay 2015, ranking 10<sup>th</sup> among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 13.3 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 23.2 percent of Evansville’s gross assessed valuation. In 2007 pay 2008 2.9 percent of the city’s gross assessed valuation was captured in tax increment financing districts and this increased to 12.4 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 63.2 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had increased to 67.0 percent.

Figure 1 illustrates the changes in net assessed valuation for Evansville from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Evansville General Fund is \$4,253,308,819 for 2014 pay 2015. That is down from \$4,394,523,100 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 Evansville declined by 12.0 percent, ranking as the 12<sup>th</sup> most impacted city among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Evansville’s net assessed valuation continued to decline by an additional 0.81.1 percent, the 11<sup>th</sup> largest decline among the selected municipalities. Net assessed valuation per capita in Evansville was \$35,342 in 2014 pay 2015, ranking 9<sup>th</sup> among the eighteen municipalities. Over the past year, net assessed valuation for the City of Evansville General Fund declined by 0.5 percent. In 2014 pay 2015, 12.4 percent of the City of Evansville’s General Fund net assessed valuation was captured by tax increment financing districts.

**FIGURE 1**



In 2006 pay 2007, the City of Evansville’s certified net assessed valuation was 59.0 percent of the net assessed value countywide in Vanderburgh County. By 2014 pay 2015, the City’s portion of the countywide net assessed value had increased to 64.4 percent.

Annual Property Tax Certified Budgets, Levies and Rates

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

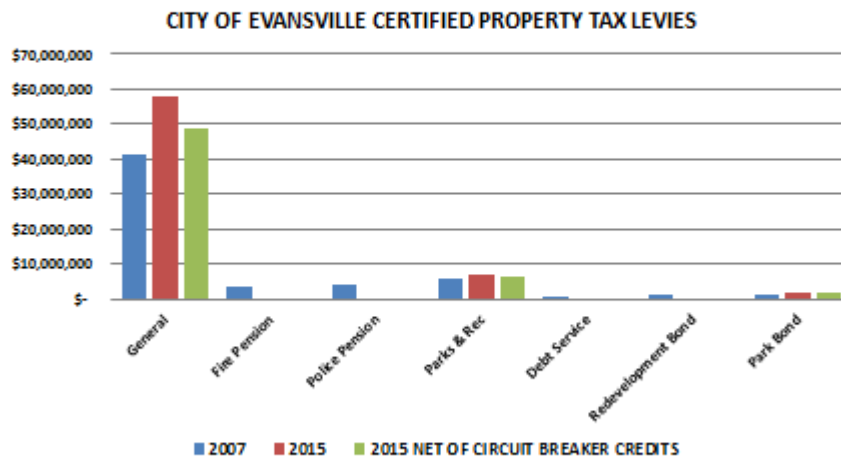
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$69,136,902	\$41,170,215	\$0.8568
Debt Service	\$665,261	\$586,224	\$0.0122
Fire Pension	\$6,691,690	\$3,195,401	\$0.0665
Police Pension	\$8,737,702	\$3,997,855	\$0.0832
Park & Recreation	\$8,492,677	\$5,892,288	\$0.0723
Park Bond	\$1,102,913	\$1,140,969	\$0.0140
Redevelopment Bond	\$1,421,074	\$1,076,346	\$0.0224
Total	\$96,248,219	\$57,059,298	\$1.1274

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

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$85,705,334	\$57,802,467	\$1.3590
Park & Recreation	\$10,505,561	\$6,995,730	\$0.1060
Park Bond	\$1,090,260	\$1,524,541	\$0.0231
Total	\$97,301,155	\$66,322,738	\$1.4881

Source: Department of Local Government Finance Annual Budget Orders

FIGURE 2

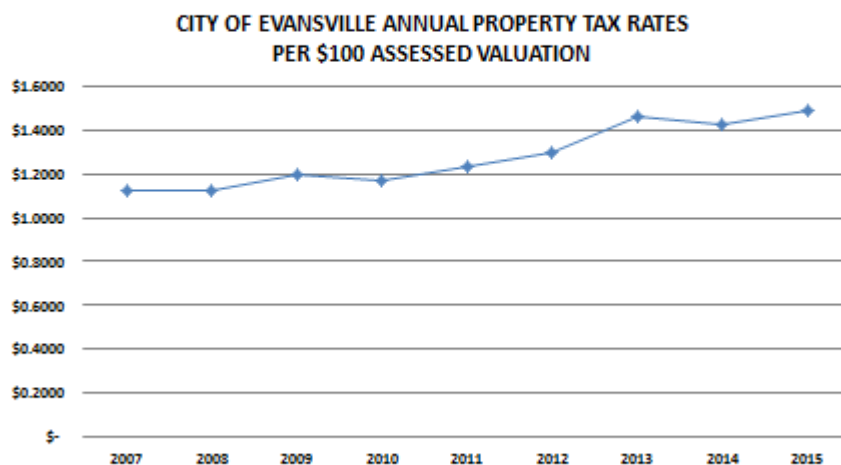


The City of Evansville’s 2015 property tax rate of \$1.4881 ranked as the eighth lowest among the eighteen selected municipalities. Evansville’s property tax rate increased by \$0.3607 between 2007 and

2015. This was a 32.0% increase. The increase, in cents per \$100 assessed valuation, ranked eighth lowest among the selected communities and was the sixth lowest as a percentage increase.

The City of Evansville had not adopted a rate for a Cumulative Capital Development Fund as of the 2015 Certified Budget. It does not levy property taxes to support either its Police or Fire Pension Funds. In 2015, 1.6 percent of its property tax rate is used to support debt service funds.

FIGURE 3



#### Circuit Breaker Impacts

In 2015, the City of Evansville lost \$9,659,167 in property tax revenue due to Circuit Breaker credits. That was 14.6 percent of its Certified Property Tax Levy, the 11<sup>th</sup> highest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 87.0 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Evansville were \$80 per capita (10<sup>th</sup> highest among the eighteen municipalities) and \$227 per \$100 of assessed valuation (11<sup>th</sup> highest). The City of Evansville lost another \$2,029,394 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

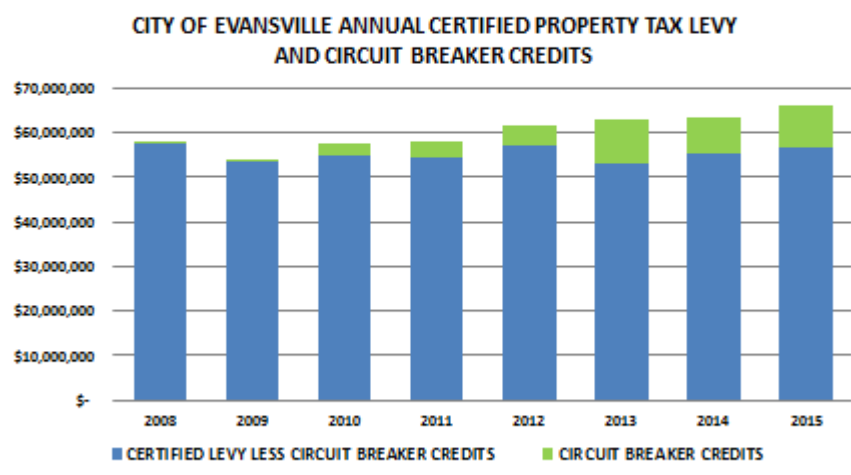


FIGURE 5

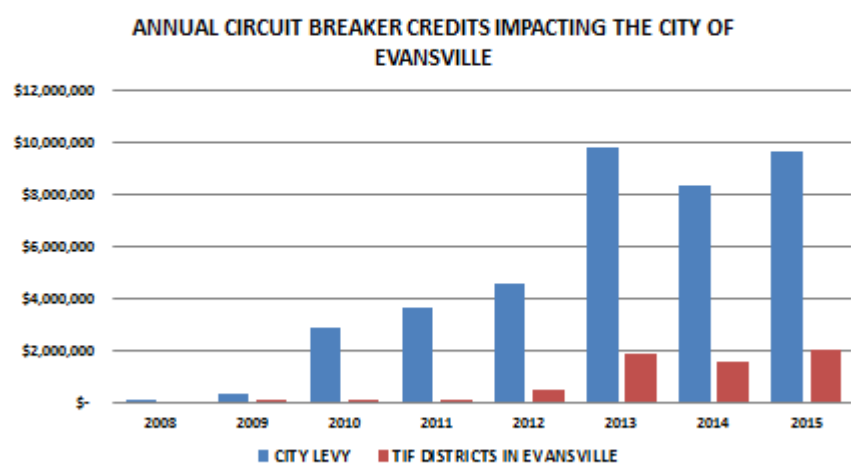
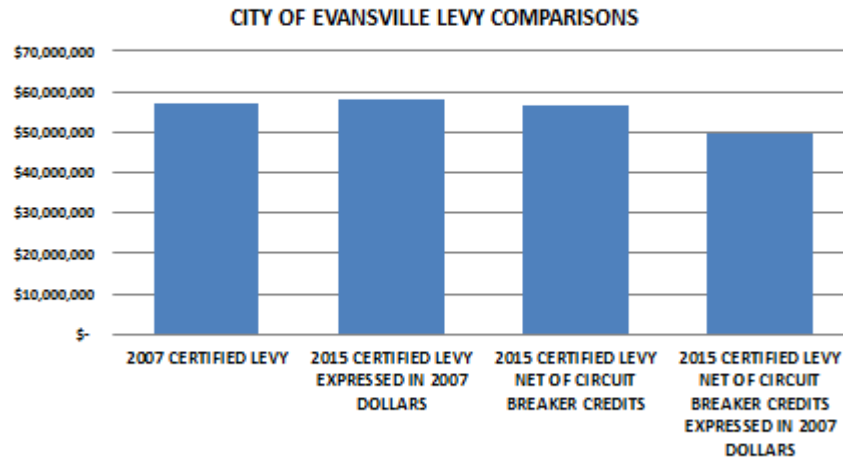


FIGURE 6



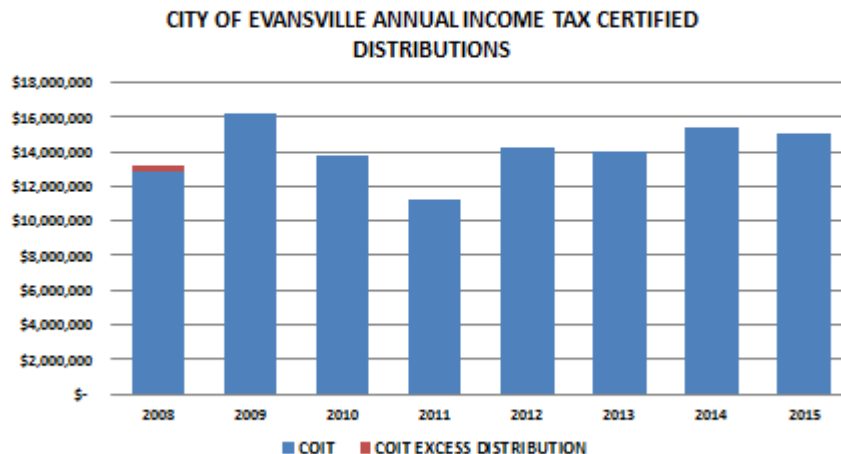
### Local Income Taxes

Vanderburgh County has adopted the County Option Income Tax at the 1.0% rate. It has not adopted a Property Tax Relief LOIT or the Public Safety LOIT. The City of Evansville has a majority of the votes in the Vanderburgh County Income Tax Council.

In 2008, the City of Evansville received \$ 13,248,607 in local income tax distributions. By 2015 these distributions had increased to \$15,018,583. The 2008 distribution would have needed to be \$14,684,491 in 2015 to keep pace with inflation.

Local income tax revenue represented 18.7 percent of Evansville's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion increased to 21.0 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



### Fiscal Capacity Index

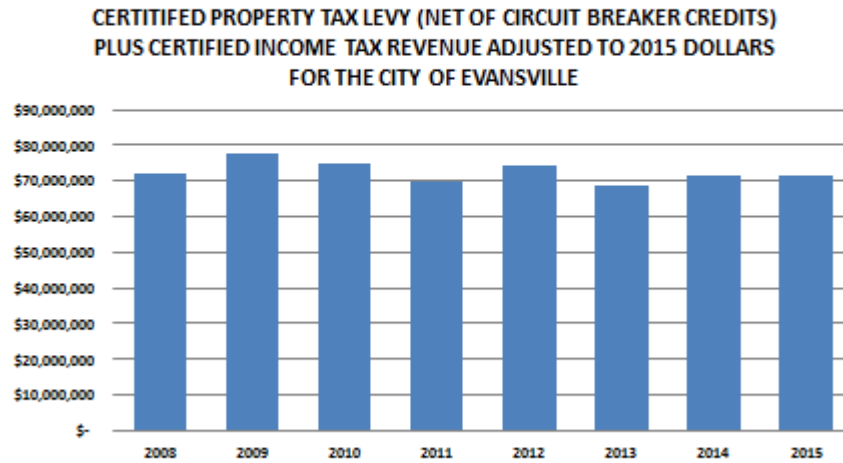
After exploring the changes which have occurred to the property and income tax revenues to the City of Evansville, what has been the overall impact on the fiscal capacity of this municipality? To better understand that impact, a simple “Fiscal Capacity Index” has been created. “Core income” as defined 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 Evansville, 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 Evansville from 2008 through 2015.



FIGURE 8

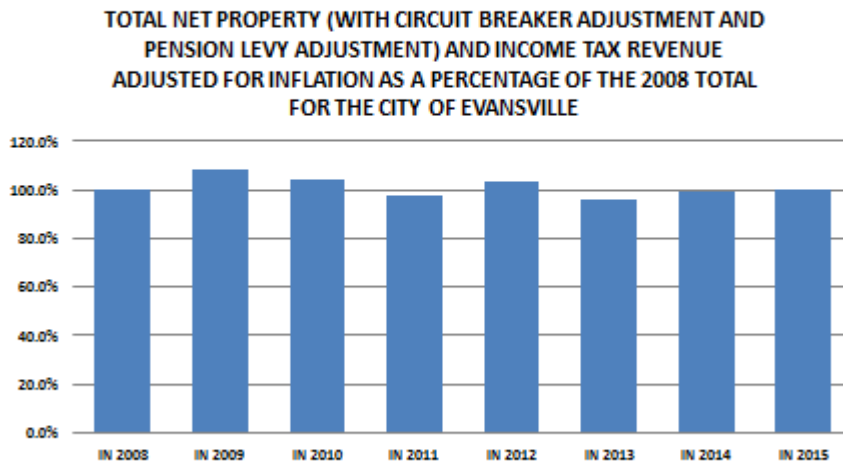


The City of Evansville's total certified property tax levy, net of circuit breaker, plus income tax revenue was, after adjusting for inflation, 99.7 percent of the 2008 total.<sup>1</sup> This was the seventh highest Fiscal Capacity Index ranking of the eighteen selected municipalities. Between 2009 and 2015 the cumulative loss of core revenue compared with the 2008 total was \$31,235,653. This was the equivalent of 48 percent of 2008 core revenue.

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

FIGURE 9



### Gaming Revenues

The City of Evansville is one of three of the selected municipalities that receive substantial revenue from the Riverboat Admission Tax and the Riverboat Wagering Tax.

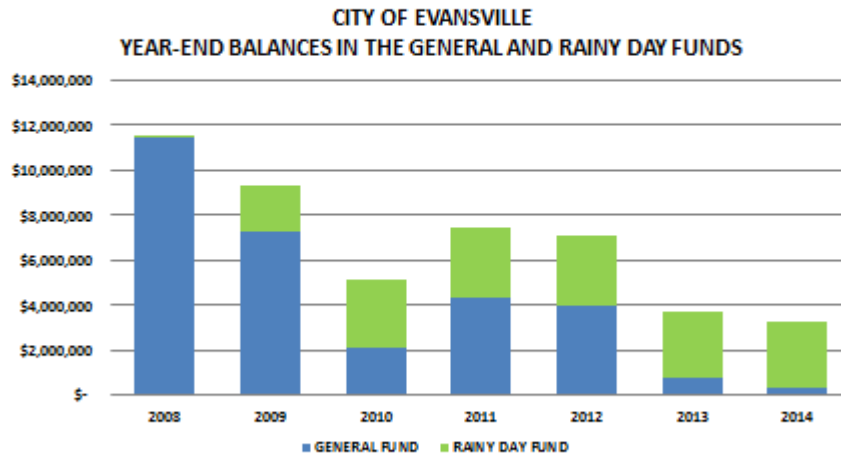
According to the 2014 Indiana Handbook of Taxes, Revenues, and Appropriations, Evansville received \$1,264,539 in Riverboat Admission Tax in state fiscal year 2011 and also received an additional \$832,673 in a supplemental to make up for a shortfall in state fiscal year 2010 distributions. Evansville received \$1,233,209 in FY 2012 plus an additional \$862,141 in supplemental distributions. It received \$1,151,923 in FY 2013 plus an additional \$893,462 in a supplemental distribution. In state fiscal year 2014 Evansville received \$1,121,845, plus a supplemental distribution to account for FY 2013 shortfalls of an additional \$974,748. The City of Evansville also received distributions of Riverboat Wagering Tax of \$4,760,340 in state fiscal years 2011, 20012, 2013 and 2014.

The City has a Riverboat Capital Project Fund. In 2012 it had receipts of \$15,486,239 and disbursements of \$14,318,107. The fund has an ending balance of \$15,271,060 in 2012. In 2013 it had receipts of \$11,801,311, disbursements of \$12,992,996, and an ending balance of \$14,079,375. In 2014 the fund had receipts of \$12,832,757, disbursements of \$12,685,451, and an ending balance of \$14,226,681.

### Year-End Balances, Annual Receipts and Annual Disbursements

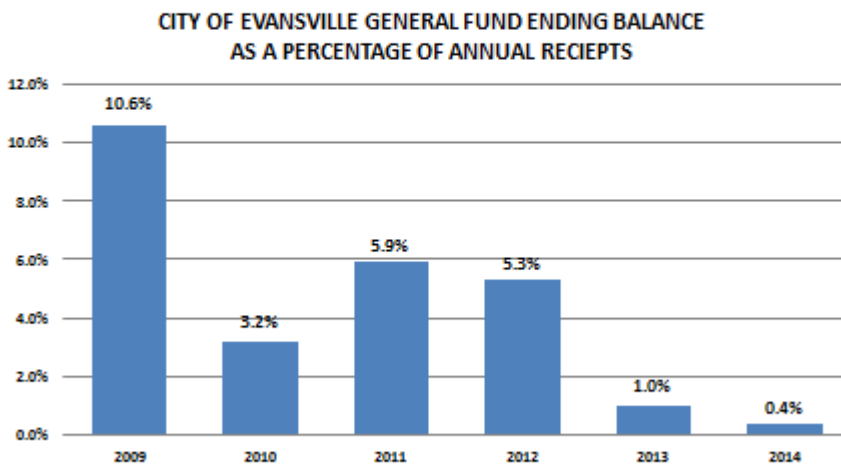
The 2014 year-end balance, including reserved and obligated funds, in the City of Evansville's General Fund was \$307,141. Its Rainy Day Fund ended 2014 with a balance of \$2,939,047. The combined total balance for both funds at year-end 2014 was \$3,246,188. This was 4.1 percent of annual receipts from both funds combined, ranking as the fourth lowest of the eighteen selected municipalities. The combined total represented \$27 per capita, also the fourth lowest ranking. The combined General and Rainy Day fund balances decreased by 6,090,365 between 2009 and 2014. This was the fifth lowest ranking among the selected municipalities.

FIGURE 10



The 2014 year-end balance for all Governmental Funds for the City of Evansville was \$71,595,603. This was \$595 per capita, ranking 11<sup>th</sup> highest among the selected municipalities. General Fund disbursements represented 33.1 percent of all Governmental Fund disbursements in 2014. The year-end balance for all Governmental Funds was 30.0 percent of the 2014 receipts in those funds. Total disbursements from Governmental Funds in 2014 were \$238,164,448. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$414,328,370 in 2014.

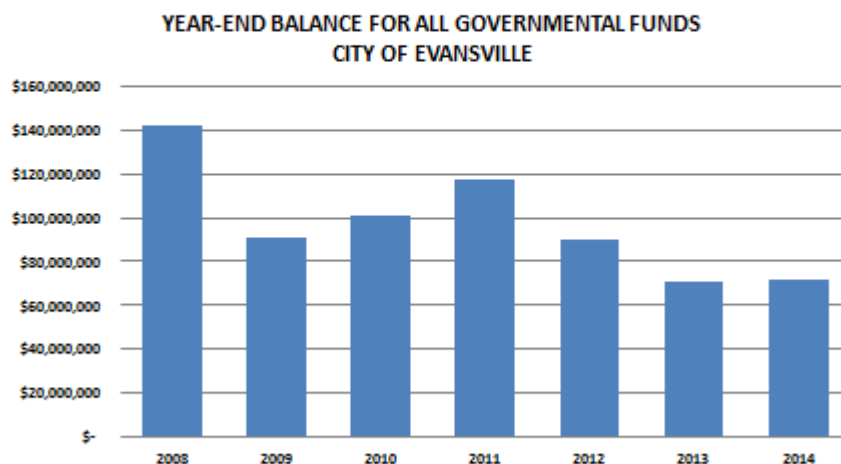
FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$238,789,164. This was \$1,984 per capita, ranking as the 6<sup>th</sup> highest among the selected municipalities. . Core revenue (certified property taxes

net of circuit breaker credits plus certified income tax distributions) represented 29.6 percent of all Governmental Fund receipts in 2014 for the City of Evansville.

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 Evansville was \$45,408,392 and represented 16.4 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 18.2 percent of total annual revenue. Evansville ranked as the fifth most dependent on Intergovernmental Revenue among the selected municipalities.<sup>2</sup> The 2011-2012 average annual intergovernmental revenue per capita was \$461, ranking Evansville as the third highest among the selected municipalities.

### Highway Funding

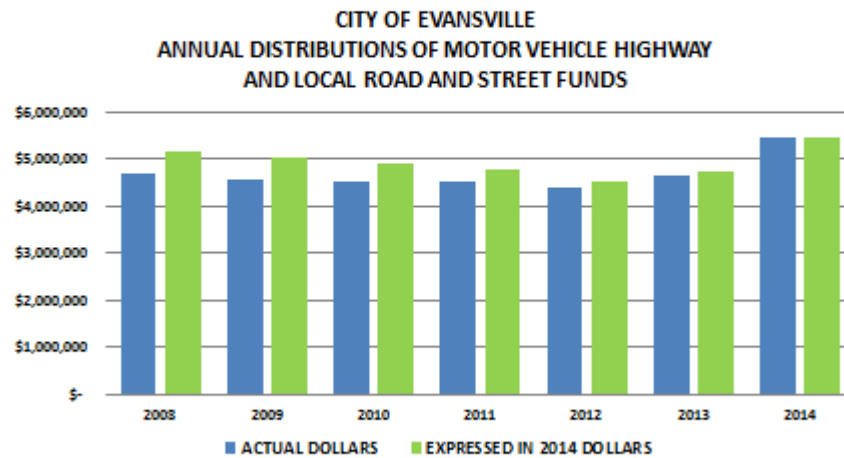
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from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

In 2008, the City received a combined total of \$4,684,885 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$4,386,990. 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 Evansville. By 2014, the first full year that the increase was in effect, Evansville's combined distributions had increased to \$5,447,542. This was a 16.3 percent increase over the 2008 distributions, ranking as the fifth lowest percentage change among the selected municipalities. After adjusting for inflation, this was a 5.8 percent increase over the 2008 combined MVH and LR&S distributions. The composite inflation adjusted increase for all eighteen selected municipalities was 15 percent.

<sup>2</sup> There was no data on Intergovernmental Revenues available for the City of Lafayette.

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

FIGURE 13



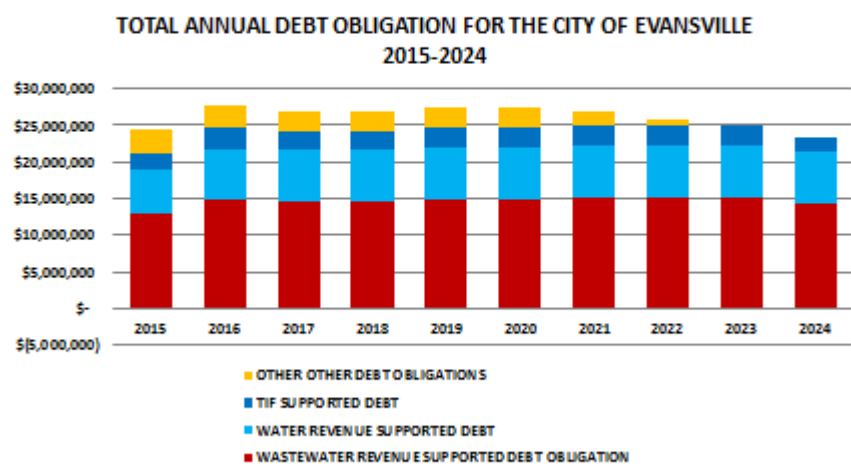
### Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Evansville had total outstanding debt of \$454,446,011. This was \$3,777 of outstanding debt per capita, ranking fifth highest among the selected municipalities.

Of the total outstanding debt, 54.6 percent was supported by wastewater revenues, 33.2 percent was supported by water revenues and 7.8 percent was supported by tax increment finance revenues. The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$167, fourth lowest among the selected municipalities.

As of July 1, 2014, the City of Evansville had \$71,102 in outstanding debt supported with County Option Income Tax revenues. This was 0.5 percent of the City's 2015 total COIT certified distribution. There must be some overlap of TIF and utility revenue supported debt as revenue from wastewater, water and TIF sources combined more than cover the total debt obligations in 2023 and 2024.

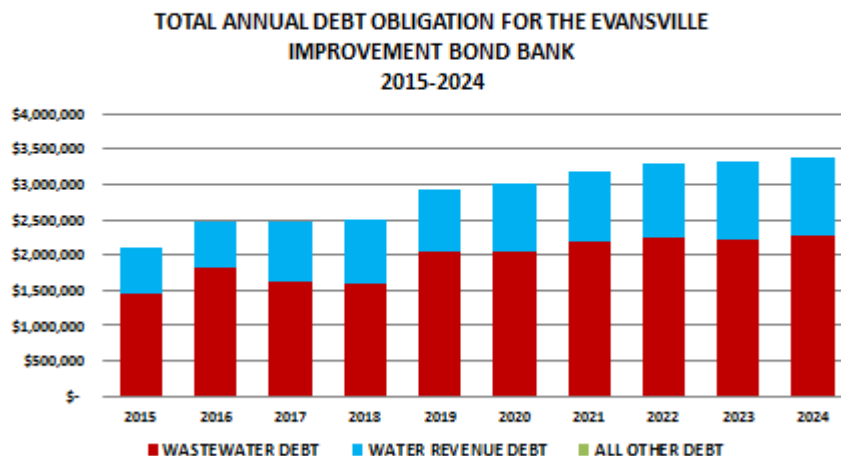
FIGURE 14



The 2024 projected total debt payments of all current outstanding debt is 95.1 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 Evansville is 5.4 percent.

There is a separate Evansville Improvement Bond Bank that has \$75,890,513 in outstanding debt as of July 1, 2014. Of that total, \$50,770,675 is supported by wastewater revenues and \$25,119,833 by water revenues. The 2024 projected total debt payments of all current outstanding debt issued by the Evansville Improvement Bond Bank is 1.6 times the 2015 projected payments.

FIGURE 15



### Summary Observations

Evansville has been operating in the tenth strongest economic climate of the eighteen selected municipalities. This is a relatively neutral climate when compared with the other included municipalities. It is also indicative of how the City of Evansville ranks on many of the more fiscally specific indicators examined throughout this study.

The City's gross assessed valuation has declined by 12.5 percent between 2007 pay 2008 and 2014 pay 2015. This was the fourth poorest change in gross assessed valuation over the period. Its gross assessed valuation per capita in 2014 ranked tenth and was substantially below that of the more "suburban" municipalities included in the study. The impact of the increase in homestead deductions associated with HEA 1001-2008 on Evansville's net assessed valuation was very similar to that of the impact experienced by the composite of all eighteen included municipalities. The City has experienced a slight decrease in net assessed valuation since the homestead deduction increases went into effect, a less than one percent decline between 2008 pay 2009 and 2014 pay 2015. Its current net assessed valuation per capita is in the mid-range of the selected municipalities.

The City of Evansville's 2015 property tax rate of \$1.4881/\$100 AV is in the lower one-half of the eighteen municipalities. Its certified property tax levy growth between 2006 and 2015 has been above that needed to keep pace with inflation but below the composite rate of change for all eighteen municipalities. Evansville's relatively low property tax rate and relatively stable net assessed valuation have resulted in only a modest circuit breaker credit impact compared with many of the other studied municipalities. The City lost just under fifteen percent of its 2015 certified property tax levy to the property tax caps. This was the eighth lowest percentage of the selected municipalities.

In 2008 Vanderburgh County had a local income tax rate of 1.0 percent and that had not changed through 2015. Without an increase in the local income tax rate Evansville was still able to receive a certified distribution of County Option Income Tax revenue in 2015 that exceeded the amount necessary

to keep pace with inflation when compared to its 2008 income tax revenue. This was at least partially a result of Vanderburgh County experiencing relatively strong growth in total personal income over this period. The City of Evansville does have the controlling percentage of votes in the Vanderburgh County Income Tax Council so it is in control of its own destiny with regard to future consideration of the local income tax rate. After adjusting for inflation, the City of Evansville's "core revenue" in 2015 is 99.7 percent of its 2008 core revenue. Modest circuit breaker credit losses and growth in local income tax revenue have allowed it to maintain core revenue without the need to adopt the Public Safety or Property Tax Relief LOITs. Evansville ranks seventh on this study's Fiscal Capacity Index.

On a less positive note, the combined year-end fund balances in Evansville's General and Rainy Day Funds has been declining since 2011. While the City has maintained a nearly \$3 million Rainy Day Fund balance, its General Fund balance had declined to approximately \$300,000 by the end of 2014. Between 2009 and 2014, Evansville's combined balance in these two funds had dropped by \$6 million – the fourth largest decline among the eighteen selected municipalities. The combined balance at the end of 2014 was 4.1 percent of annual receipts in these two funds. Evansville's 2014 disbursements per capita of \$1,979 were at the midpoint in rank among the eighteen municipalities.

Evansville's outstanding debt per capita as of July, 2014 was the fifth highest of the selected municipalities at \$3,776. More than fifty percent of this debt was supported by wastewater utility revenues and likely represents the impact of Combined Sewer Overflow reduction related capital expenditures. The City of Evansville ranks ninth on this study's overall Fiscal Health Index – indicative of its positive ability to maintain core revenues coupled with a significant decline in its General Fund balance.