



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

by John Stafford  
March 2016

## CITY OF HAMMOND MUNICIPAL PROFILE

### MARCH 2016

#### Introduction

This document is a summary of financial information on the City of Hammond 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 Hammond 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 Hammond has been functioning in sixth most difficult economic environment of the eighteen selected municipalities.

In 1970, the City of Hammond had 107,983 residents. That total represented 20 percent of the Lake County population. In 2014, the estimated population of Hammond was 78,384. That total represented 16 percent of the Lake County population, a decrease of 4 percentage points from 1970. Between 1970 and 2014, Hammond lost 29,599 residents, a 27 percent decline. Between 2006 and 2014, Hammond gained an estimated 92 residents for a 0.1 percent increase.

Total personal income in Lake County increased by 18.0 percent between 2006 and 2013. This was the ninth highest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Lake County was \$37,797, seventh highest among the selected counties. This was 97.9 percent of statewide per capita personal income. In 1970, per capita personal income in Lake County was 105.1 percent of the statewide per capita personal income.

Lake County has experienced long-term gain and short-term decline in employment. In 1970 the countywide total employment (full and part-time employment) was 230,297. By 2007, employment in the county had increased to 249,148. The county experienced a loss of employment between 2007 and 2013 to a total of 244,926 by 2013. The longer-term increase between 1970 and 2013 was 6.4 percent, the second worst performance among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 1.7 percent, the sixth 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 Lake County in 2013 was \$26,229,152,181. The per capita GRP was \$53,376 in 2013. This was the fourth highest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Hammond ranked 13<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 109 out of a possible 270 points. This indicates that the City of Hammond has been operating in a relatively 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

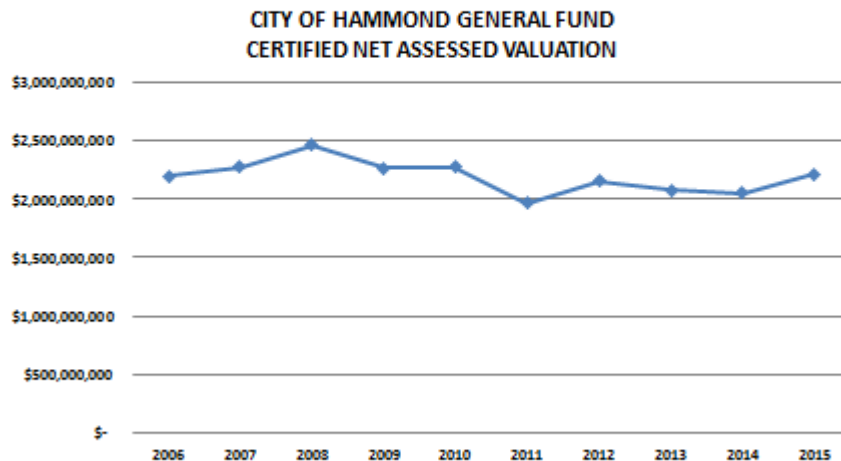
relative income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

#### Assessed Valuation

The gross assessed valuation for the City of Hammond was \$3,653,917,740 in 2014 pay 2015. This was a 18.2 percent decrease over the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$46,616 per capita in 2014 pay 2015, ranking 16<sup>th</sup> among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 17.1 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 26.4 percent of Hammond's gross assessed valuation. In 2007 pay 2008 10.1 percent of the city's gross assessed valuation was captured in tax increment financing districts and this decreased to 5.1 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 61.3 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had increased slightly to 62.7 percent.

Figure 1 illustrates the changes in net assessed valuation for Hammond from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Hammond General Fund is \$2,215,908,086 for 2014 pay 2015. That is up slightly from \$2,198,449,970 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 Hammond declined by 7.9 percent, the fourth smallest impact among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Hammond's net assessed valuation continued to decline by an additional 2.2 percent, the 8<sup>th</sup> highest rate of decrease among the selected municipalities. Net assessed valuation per capita in Hammond was \$28,270 in 2014 pay 2015, ranking 13<sup>th</sup> among the eighteen municipalities. Over the past year, net assessed valuation for the City of Hammond General Fund increased by 8.0 percent, the highest rate of growth among all selected municipalities. In 2014 pay 2015, 5.1 percent of the City of Hammond's General Fund net assessed valuation was captured by tax increment financing districts. This was the fourth lowest percentage among the twenty selected municipalities.

FIGURE 1



In 2006 pay 2007, the City of Hammond's certified net assessed valuation was 9.8 percent of the net assessed value countywide in Lake County. By 2014 pay 2015, the City's portion of the countywide net assessed value had increased to 10.6 percent.

#### Annual Property Tax Certified Budgets, Levies and Rates

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

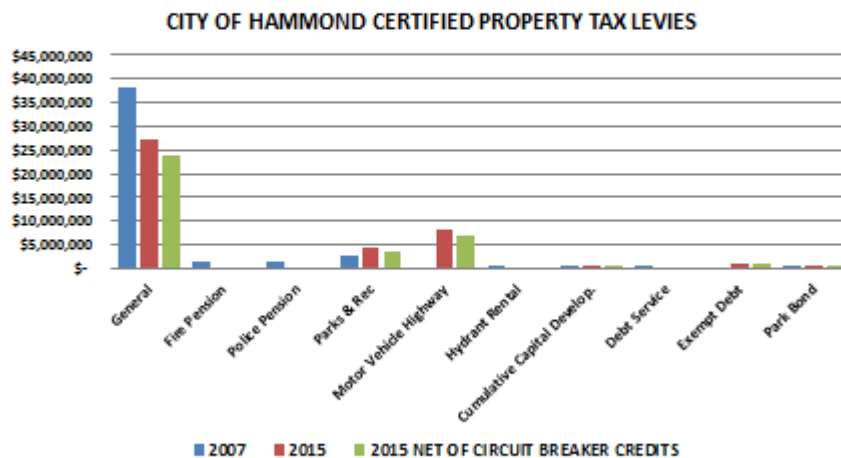
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$49,916,318	\$38,393,902	\$1.6872
Debt Service	\$1,121,888	\$134,260	\$0.0059
Fire Pension	\$5,180,702	\$1,547,407	\$0.0680
Police Pension	\$5,353,154	\$1,490,517	\$0.0655
Park & Recreation	\$3,284,030	\$2,928,696	\$0.1287
Park Bond	\$311,329	\$332,237	\$0.0146
Hydrant Rental	\$162,973	\$161,568	\$0.0071
CCD	\$0	\$386,852	\$0.0170
Total	\$65,330,394	\$45,375,439	\$1.9940

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

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$63,425,119	\$27,293,340	\$1.2317
Exempt Debt Service	\$979,340	\$910,738	\$0.0411
MVH	\$6,198,092	\$8,207,724	\$0.3704
Park & Recreation	\$3,772,295	\$4,243,464	\$0.1915
Park Bond	\$442,262	\$485,284	\$0.0219
CCD	\$345,956	\$243,750	\$0.0110
Total	\$75,163,064	\$41,384,300	\$1.8676

Source: Department of Local Government Finance Annual Budget Orders

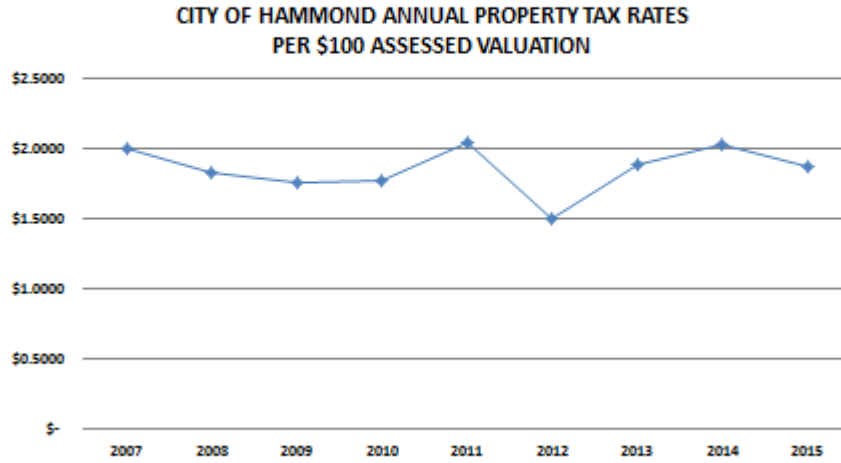
FIGURE 2



The City of Hammond's 2015 property tax rate of \$1.8676 ranked as the eighth highest among the eighteen selected municipalities. Hammond's property tax rate decreased by \$0.1264 between 2007 and 2015. This was a 6.3 percent decrease. The change, in cents per \$100 assessed valuation, ranked the lowest among the selected communities and was also the lowest as a percentage change.

The City of Hammond levies property taxes to support its Motor Vehicle Highway Fund. It has adopted a Cumulative Capital Development Fund with a 2015 rate of \$0.0110. It does not levy property taxes to support its Police and Fire Pension Funds. In 2015, 3.4 percent of its property tax rate is used to support debt service funds. The Hammond Sanitary District and the Hammond Redevelopment District have separately approved Certified Budgets, Rates and Levies.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of Hammond lost \$5,323,280 in property tax revenue due to Circuit Breaker credits. That was 12.7 percent of its Certified Property Tax Levy, the seventh lowest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 69.6 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Hammond were \$68 per capita (seventh lowest among the eighteen municipalities) and \$240 per \$100 of assessed valuation (ninth highest). The City of Hammond lost another \$274,276 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

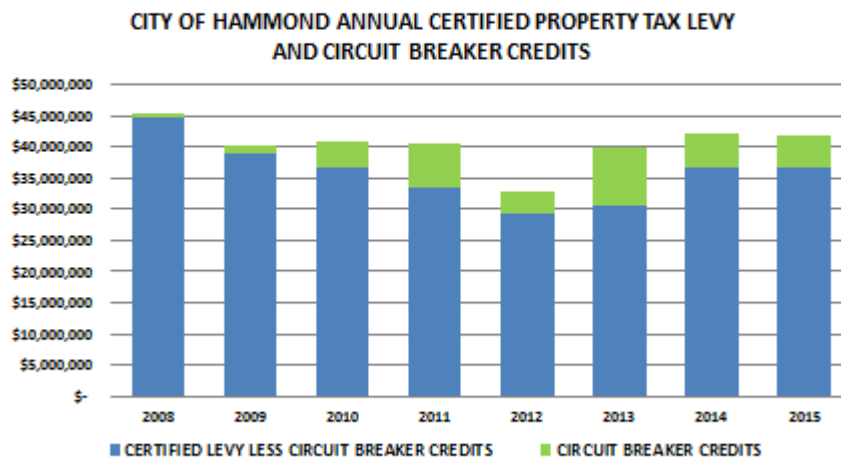


FIGURE 5

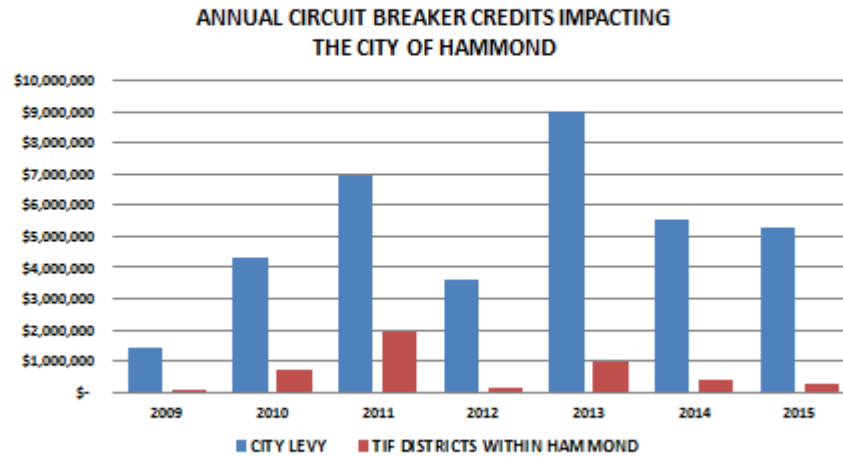
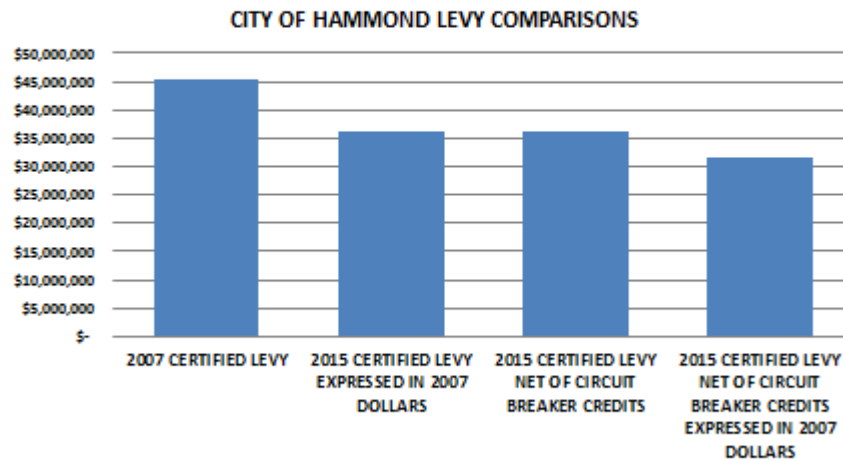


FIGURE 6



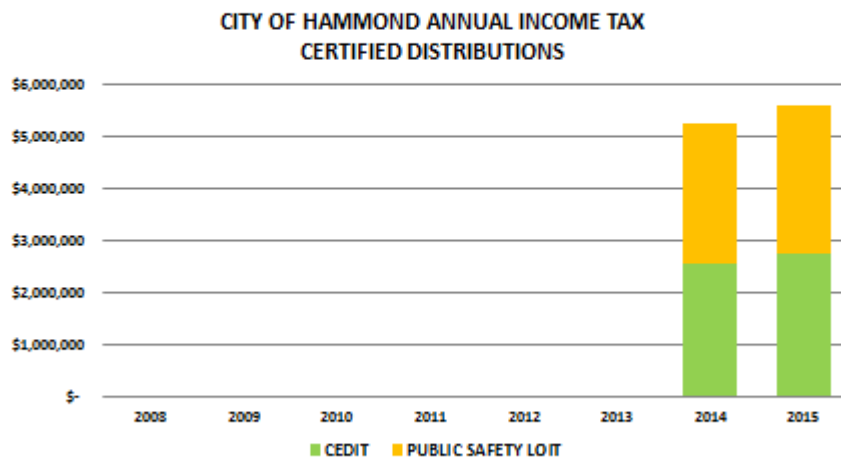
Local Income Taxes

Lake County adopted a County Economic Development Income Tax effective in 2014 at a rate of 0.25 percent. It also adopted a Property Tax Relief LOIT at a rate of 1.00 percent and the Public Safety LOIT at a rate of 0.25 percent in the same year. The City of Hammond has 16.3 percent of the vote in the Lake County Income Tax Council. No governmental unit has a controlling vote in the Council.

In 2008, the City of Hammond received no local income tax distributions. By 2015 these distributions were \$5,611,820.

Local income tax revenue represented none of Hammond’s “core income” (certified property tax levy plus income tax revenue) in 2008. Income tax revenue represented 13.3 percent of “core income” (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



#### Fiscal Capacity Index

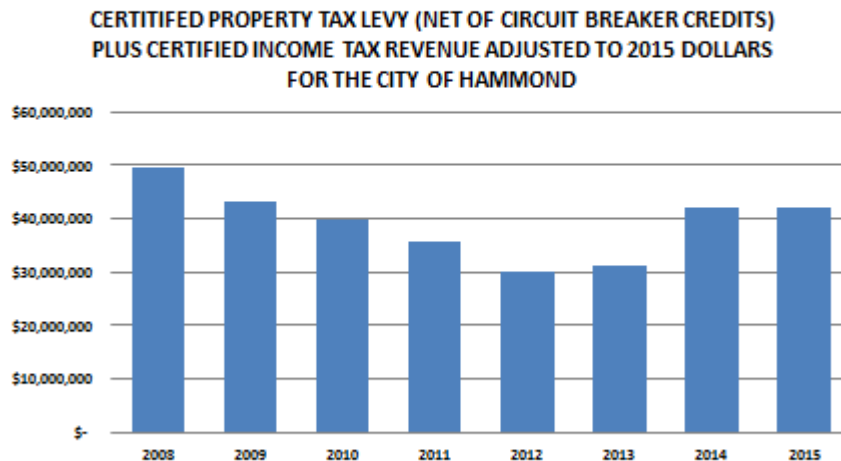
After exploring the changes which have occurred to the property and income tax revenues to the City of Hammond, what has been the overall impact on the fiscal capacity of this municipality? To better understand that impact, a simple “Fiscal Capacity Index” has been created. “Core income” as defined in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



FIGURE 8

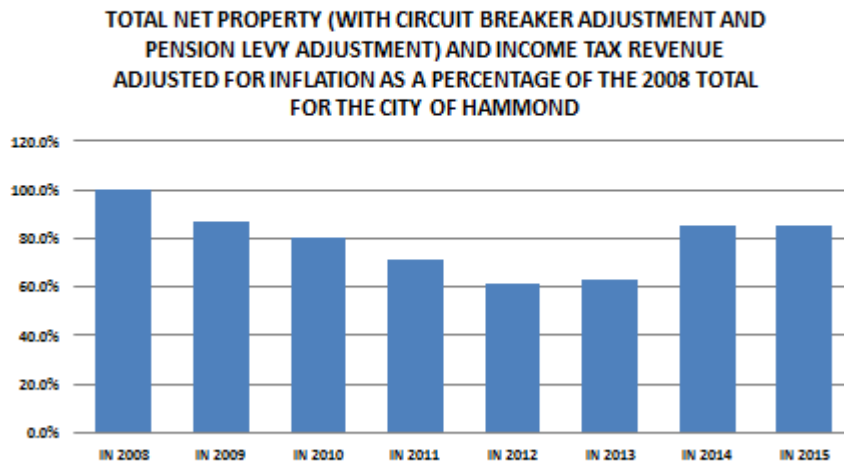


The City of Hammond's total certified property tax levy, net of circuit breaker credits, plus income tax revenue was, after adjusting for inflation, 85.1 percent of the 2008 total.<sup>1</sup> This was the sixth lowest Fiscal Capacity Index ranking of the eighteen selected municipalities. Between 2009 and 2015 the cumulative loss of core revenue compared with the 2008 total was \$60,687,780. This was the equivalent of 136 percent of 2008 core revenue.

---

<sup>1</sup> No adjustment was made for the state takeover of certain Police and Fire Pension obligations as the City of Hammond continues to levy property taxes in these two funds.

FIGURE 9



### Gaming Revenues

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

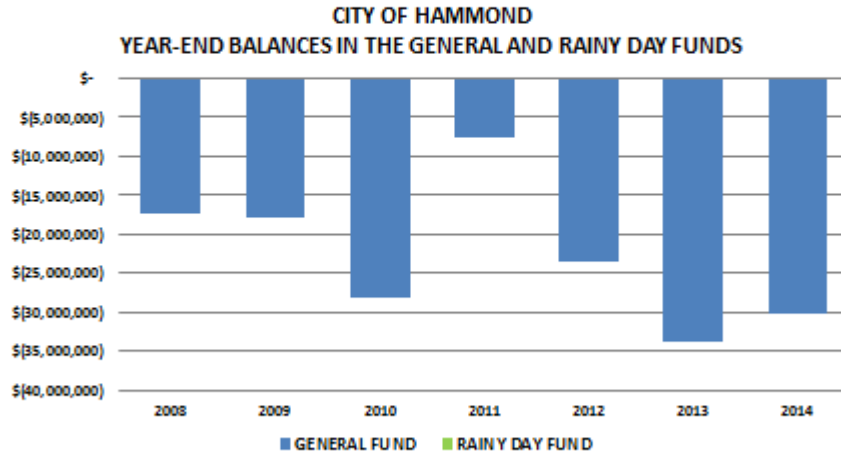
According to the 2014 Indiana Handbook of Taxes, Revenues, and Appropriations, Hammond received \$4,946,468 in Riverboat Admission Tax in state fiscal year 2011, \$5,294,238 in FY 2012, \$5,220,276 in FY 2013 and \$4,541,583 in FY 2014. It also received a Supplemental distribution in FY 2014 to account for FY 2013 shortfalls of an additional \$73,962. The City of Hammond also received distributions of Riverboat Wagering Tax of \$13,749,023 in each of state fiscal years 2011, 2012, 2013 and 2014.

The City has a Riverboat Gaming Revenue Fund. In 2012 it had receipts of \$54,063,398 and disbursements of \$39,593,882. The fund has an ending balance of \$25,615,372 in 2012. In 2013 it had receipts of \$37,141,362 and disbursements of \$36,316,950. This fund had a balance of \$26,439,784 at the end of 2013. In 2014 it had receipts of \$36,834,653 and disbursements of \$41,281,813. This fund had a balance of \$21,993,097 at the end of 2014.

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

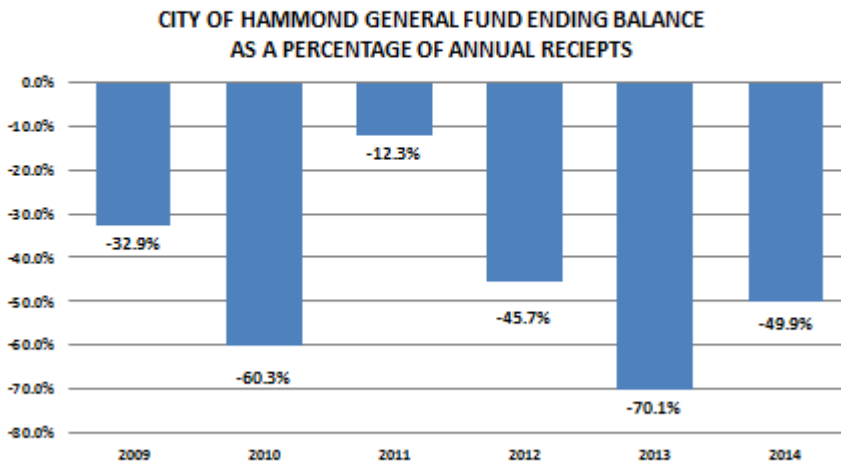
The 2014 year-end balance, including reserved and obligated funds, in the City of Hammond's General Fund was a negative \$30,109,954. It had no Rainy Day Fund in 2014. Thus, the combined total balance for both funds at year-end 2014 was a negative \$30,109,954. This was a negative 49.9 percent of annual receipts from the General Fund, ranking as the lowest of the eighteen selected municipalities. The combined total represented a negative \$384 per capita, also the lowest ranking. The combined General and Rainy Day fund balances decreased by \$12,218,355 between 2009 and 2014. This was the second lowest ranking among the selected municipalities. The City of Hammond does carry a substantial Year-End Balance in its Riverboat Gaming Revenue Fund. By the end of 2014 the balance in this fund was \$21,993,097.

FIGURE 10



The 2014 year-end balance for all Governmental Funds for the City of Hammond was \$44,927,553. This was \$573 per capita, ranking 12<sup>th</sup> highest among the selected municipalities. General Fund disbursements represented 30.8 percent of all Governmental Fund disbursements in 2014. The year-end balance for all Governmental Funds was 23.4 percent of the 2014 receipts in those funds. Total disbursements from all Governmental Funds in 2014 were \$184,064,014. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$273,368,266 in 2014.

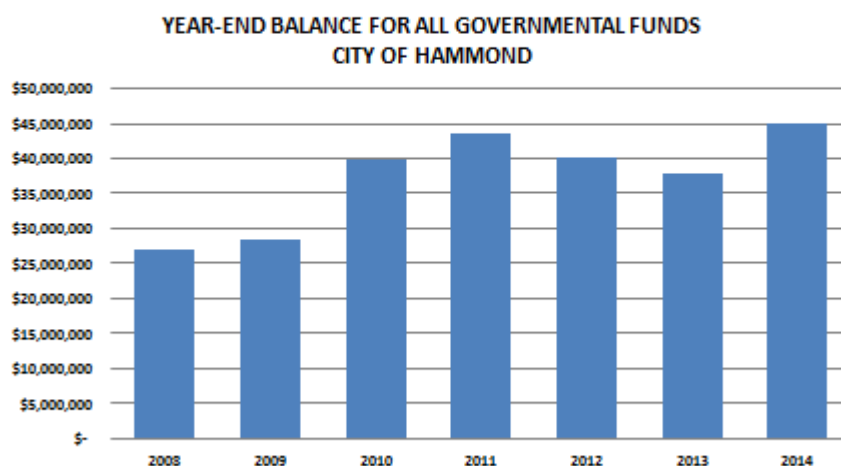
FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$191,634,248. This was \$2,445 per capita, ranking as the third highest among the selected municipalities. Core revenue (certified property taxes

net of circuit breaker credits plus certified income tax distributions) represented 23.4 percent of all Governmental Fund receipts in 2014 for the City of Hammond.

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 Hammond was \$67,913,875 and represented 40.0 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 36.7 percent of total annual revenue. Hammond ranked as the most dependent on Intergovernmental Revenue among the selected municipalities.<sup>2</sup> The 2011-2012 average annual intergovernmental revenue per capita was \$899, also ranking Hammond as the highest among the selected municipalities.

### Highway Funding

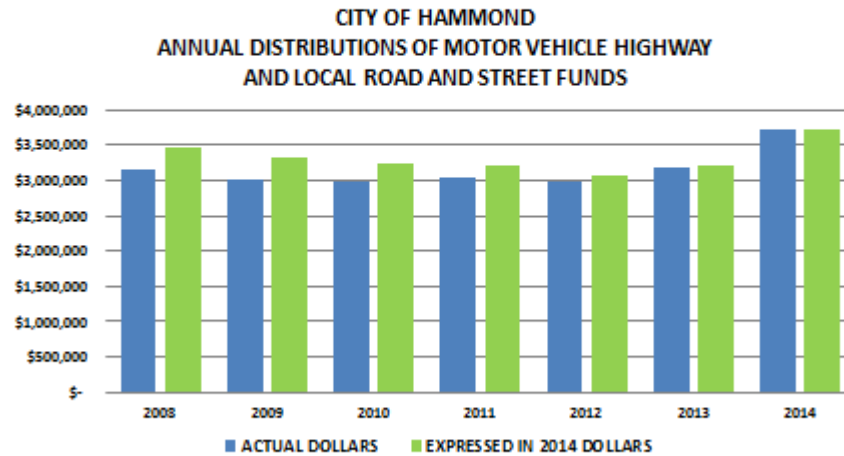
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from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

In 2008, the City received a combined total of \$3,149,999 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$2,972,553. 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 Hammond. By 2014, the first full year that the increase was in effect, Hammond's combined distributions had increased to \$3,716,901. This was an 18.0 percent increase over the 2008 distributions, ranking as the sixth lowest percentage change among the selected municipalities. After adjusting for inflation, this was a 7.3 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 available on Intergovernmental Revenue for the City of Lafayette.

The City of Hammond does levy property taxes to support its MVH Fund. In 2015, its levy for this fund net of circuit breaker credits was \$7,128,108.

FIGURE 13



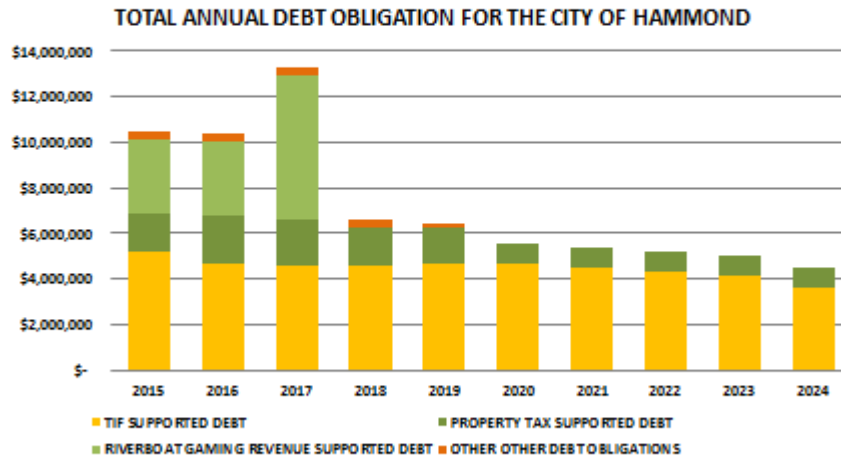
### Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Hammond had total outstanding debt of \$89,754,262. This was \$1,137 of outstanding debt per capita, ranking fifth lowest among the selected municipalities.

Of the total outstanding debt, no debt was supported by wastewater or water revenues and 62.6 percent was supported by tax increment finance revenues. The total outstanding debt per capita for the civil city of Hammond, excluding debt supported by wastewater, water and TIF revenues was \$425, ninth lowest among the selected municipalities.

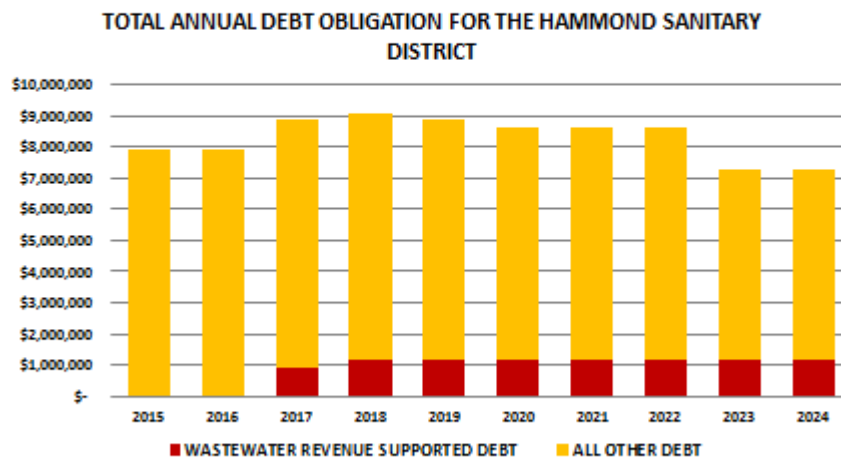
As of July 1, 2014, the City of Hammond had no debt supported with local income tax revenues.

FIGURE 14



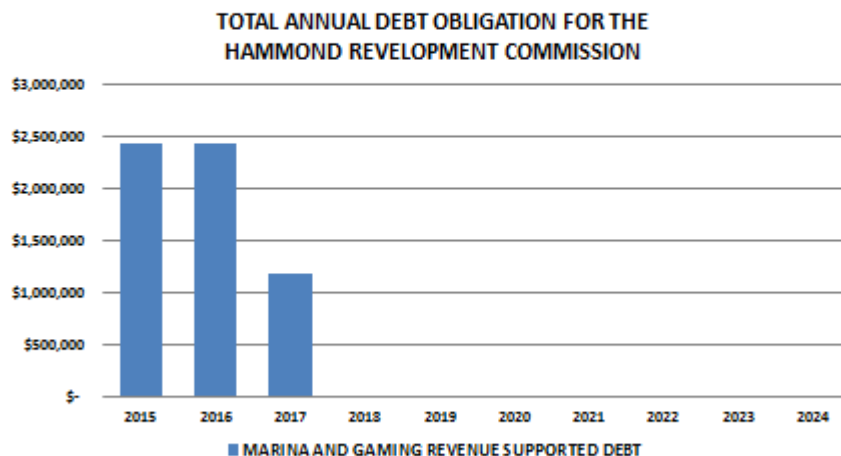
There is a separate Hammond Sanitary District with \$134,379,464 in outstanding debt as of July 1, 2014. Of that, \$19,900,000 was supported by wastewater revenues. The District had a property tax rate of \$0.3136 in 2014, of which \$0.2271 was for debt service.

FIGURE 15



There is a separate listing under the Indiana Gateway database for debt for the Hammond Redevelopment Commission. The \$6,051,550 in outstanding debt for the Commission is entirely comprised of an issue being retired with marina and certain gaming revenues.

FIGURE 16



### Summary Observations

The City of Hammond has been functioning in a relatively difficult economic environment in comparison with the other seventeen municipalities included in this study. It ranked 13<sup>th</sup> on the Composite Economic Index.

Hammond experienced an 18 percent decline in its gross assessed valuation between 2007 pay 2008 and 2014 pay 2015. This was the steepest decrease among the selected municipalities. However, its 10 percent decline in net assessed valuation over the same period was less than the composite percentage drop for all eighteen municipalities. A partial reason for this less dramatic decline in net vs. gross assessed valuation was that Hammond was less impacted by the increase in homestead deductions that were legislated in 2008 pay 2009 than were many of the other municipalities included in this study. The 8 percent increase in Hammond's net assessed valuation over the past year was the largest among the selected municipalities. Hammond also captures a relatively low percentage (5.1%) of its net assessed valuation in tax increment financing districts.

The City of Hammond's 2015 property tax rate of \$1.8676 per \$100 assessed value is in the mid-range of the selected municipalities. Its rate declined by \$0.13 between 2007 and 2015, the greatest decline among the selected communities and one of only two municipalities in the study to experience a rate decline over this period.

Due in part to additional property tax controls placed on Lake County units of local government by the General Assembly, the City of Hammond experienced a decline in its certified property tax levy comparing 2015 with 2006. This 12 percent decline was the largest of any of the selected municipalities with Hammond being the only municipality to have a 2015 certified levy less than its 2007 levy. Notwithstanding this relatively recent decline, Hammond's 2014 certified property tax levy per capita was the fifth highest among the selected municipalities. The property tax caps have had only a relatively modest impact on Hammond's property tax revenue in comparison with the other selected

municipalities. In 2015, Hammond lost approximately 13 percent of its certified property tax levy to circuit breaker credits.

In 2008 Lake County had no local income tax. By 2015 the County Economic Development Income Tax (0.25%), the Public Safety LOIT (0.25%), and the Property Tax Relief LOIT (1.0%) had all been adopted in Lake County. This added \$5.6 million in “core revenue” to the City of Hammond in 2015 and the Property Tax Relief LOIT indirectly served to lower the circuit breaker credit loss to its property tax revenue. However, Hammond’s “core revenue” in 2015, after adjusting for inflation, was still only 85 percent of its 2008 “core revenue”. This placed the City of Hammond 13<sup>th</sup> out of eighteen municipalities on this study’s Fiscal Capacity Index. The cumulative loss of “core revenue” for 2009 through 2015 compared with 2008 “core revenue” exceeded \$60 million. In 2013, Hammond’s “core revenue”, after adjusting for inflation, had fallen to 61 percent of its 2008 level.

The 2014 year-end balance in Hammond’s General Fund was a negative \$30.1 million and it had no Rainy Day Fund. This was, by millions, the worst position of a General Fund year-end balance of any of the selected municipalities and Hammond was one of only three to end 2014 with a negative balance in its combined General and Rainy Day Funds. Conversely, Hammond finished 2014 with a positive \$22 million balance in its Gaming Revenue Fund. The 2009-2014 drop in year-end balance for the combined General and Rainy Day Funds of \$12 million was the second largest decline among the selected municipalities. 2014 disbursements per capita for all Governmental Funds for the City of Hammond was \$2,348, the fourth highest among the selected municipalities. Hammond’s per capita outstanding debt as of July, 2014 of \$1,145 was the fifth lowest among the selected municipalities. Hammond was ranked sixteenth out of eighteen municipalities included in this study on the Index of Overall Fiscal Health.