



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

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CITY OF TERRE HAUTE MUNICIPAL PROFILE

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Introduction

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

In 1970, the City of Terre Haute had 70,335 residents. That total represented 61 percent of the Vigo County population. In 2014, the estimated population of Terre Haute was 60,956. That total represented 56 percent of the Vigo County population, a decrease of 5 percentage points from 1970. Between 1970 and 2014, Terre Haute lost 9,379 residents, a 13 percent decline. Between 2006 and 2014, Terre Haute gained an estimated 3,697 residents for a 6.5 percent increase.

Total personal income in Vigo County increased by 22.1 percent between 2006 and 2013. This was the sixth highest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Vigo County was \$33,725, fifth lowest among the selected counties. This was 87.3 percent of statewide per capita personal income. In 1970, per capita personal income in Vigo County was 90.7 percent of the statewide per capita personal income.

Vigo County has experienced a long-term gain in employment. In 1970 the countywide total employment (full and part-time employment) was 52,197. By 2007, employment in the county had increased to 63,998. However, the county experienced a loss of employment between 2007 and 2013 to a total of 60,361 by 2013. The longer-term increase between 1970 and 2013 was 15.6 percent, the fourth lowest rate of increase among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 5.7 percent, the fourth worst performance among the sixteen 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 Vigo County in 2013 was \$4,166,756,274. The per capita GRP was \$38,454 in 2013. This was the sixth lowest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Terre Haute ranked 16th 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 84 out of a possible 270 points. This indicates that the City of Terre Haute 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

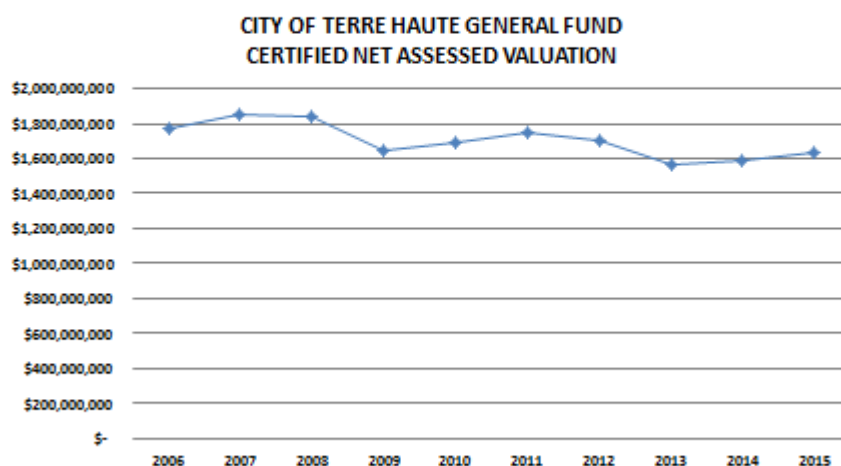
income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Terre Haute was \$2,856,375,460 in 2014 pay 2015. This was a 12.9 percent decrease from the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$46,860 per capita in 2014 pay 2015, ranking 15th among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 12.8 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 23.6 percent of Terre Haute's gross assessed valuation. In 2007 pay 2008 1.9 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 6.3 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 57.3 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had increased to 59.3 percent.

Figure 1 illustrates the changes in net assessed valuation for Terre Haute from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Terre Haute General Fund is \$1,629,993,928 for 2014 pay 2015. That is down from \$1,772,601,163 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 Terre Haute declined by 10.5 percent, the eighth largest decline among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Terre Haute's net assessed valuation continued to decline by an additional 1.1 percent, the 9th highest rate of decrease among the selected municipalities. Net assessed valuation per capita in Terre Haute was \$26,741 in 2014 pay 2015, ranking 15th among the eighteen municipalities. Over the past year, net assessed valuation for the City of Terre Haute General Fund increased by 2.3 percent. In 2014 pay 2015, 6.3 percent of the City of Terre Haute's General Fund net assessed valuation was captured by tax increment financing districts. This was the fifth lowest percentage among the eighteen selected municipalities.

FIGURE 1



In 2006 pay 2007, the City of Terre Haute’s certified net assessed valuation was 46.9 percent of the net assessed value countywide in Vigo County. By 2014 pay 2015, the City’s portion of the countywide net assessed value had decreased to 45.0 percent.

Annual Property Tax Certified Budgets, Levies and Rates

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

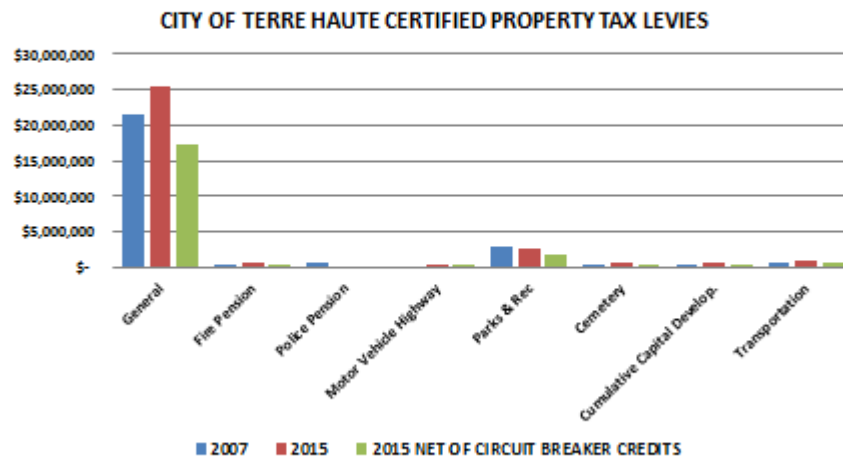
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$30,661,858	\$21,499,045	\$1.1595
Fire Pension	\$2,705,426	\$406,062	\$0.0219
Police Pension	\$2,671,098	\$752,791	\$0.0406
Park & Recreation	\$3,068,346	\$2,864,685	\$0.1545
Cemetery	\$845,538	\$491,354	\$0.0265
CCD	\$900,000	\$535,854	\$0.0289
Transportation	\$1,995,173	\$799,145	\$0.0431
Total	\$42,847,439	\$27,348,936	\$1.4750

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

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$34,493,638	\$25,475,175	\$1.5629
Fire Pension	\$2,447,260	\$599,838	\$0.0368
MVH	\$3,227,829	\$534,638	\$0.0328
Park & Recreation	\$2,633,907	\$2,756,320	\$0.1691
Cemetery	\$644,868	\$749,797	\$0.0460
CCD	\$1,133,690	\$784,027	\$0.0481
Transportation	\$3,051,541	\$999,186	\$0.0613
Total	\$47,632,733	\$31,898,981	\$1.9570

Source: Department of Local Government Finance Annual Budget Orders

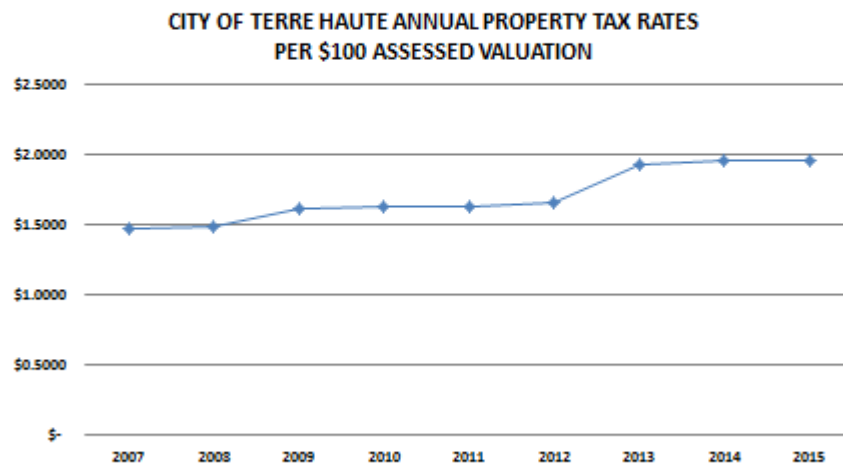
Figure 2



The City of Terre Haute's 2015 property tax rate of \$1.9570 ranked as the sixth highest among the eighteen selected municipalities. Terre Haute's property tax rate increased by \$0.4820 between 2007 and 2015. This was a 32.7 percent increase. The increase, in cents per \$100 assessed valuation, ranked eighth highest among the selected communities and was the seventh lowest as a percentage increase.

The City of Terre Haute levies property taxes to support its Motor Vehicle Highway Fund. It also still levies property taxes to support its Fire Pension Fund. Terre Haute has adopted a Cumulative Capital Development fund with a 2015 rate of \$0.0481. It does not levy property taxes to support any debt service funds. There is a separate Terre Haute Sanitary District with a 2015 property tax rate of \$0.3387.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of Terre Haute lost \$10,071,647 in property tax revenue due to Circuit Breaker credits. That was 31.6 percent of its Certified Property Tax Levy, the fifth highest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 69.9 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Terre Haute were \$165 per capita (sixth highest among the eighteen municipalities) and \$618 per \$100 of assessed valuation (fifth highest). The City of Terre Haute lost another \$1,361,639 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

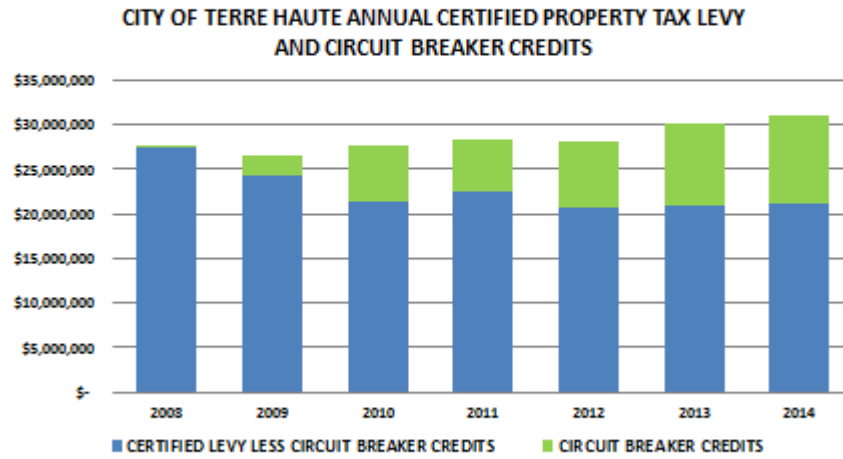


FIGURE 5

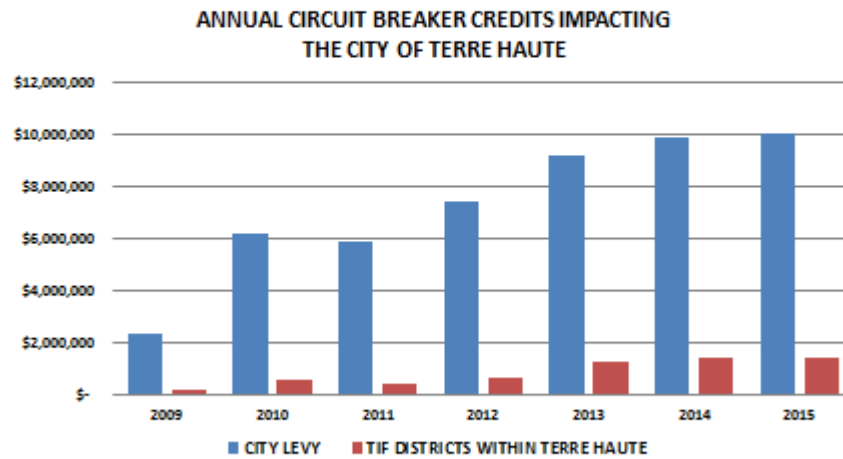
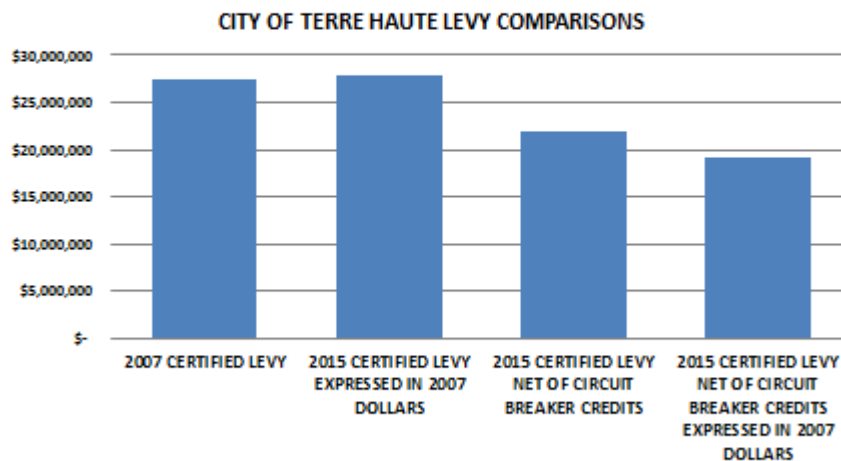


FIGURE 6



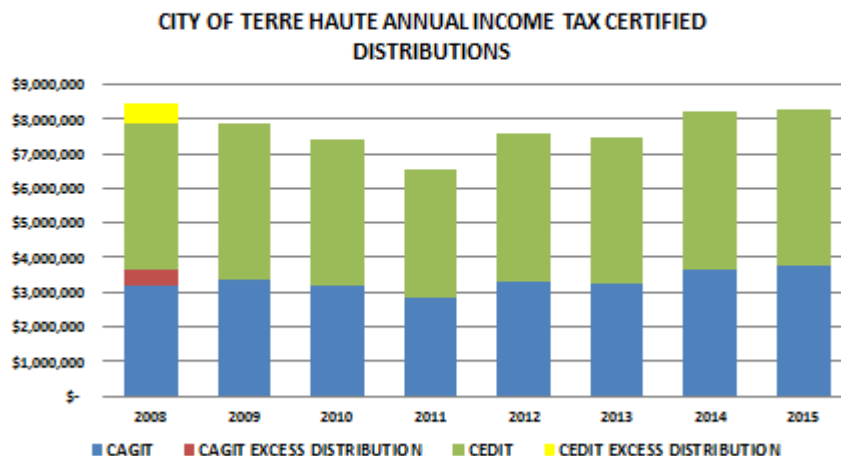
Local Income Taxes

Vigo County has a County Adjusted Gross Income Tax at a 0.75% rate and a County Economic Development Income Tax at a 0.5% rate. As of January, 2015 Vigo County not adopted either the Public Safety LOIT or a LOIT for Property Tax Relief. The City of Terre Haute has a controlling 56.4 percent of the votes in the Vigo County Income Tax Council.

In 2008, the City of Terre Haute received 8,441,549 in local income tax distributions. By 2015 these distributions had decreased to \$8,264,966. The 2008 distribution would have needed to be \$9,356,444 in 2015 to keep pace with inflation.

Local income tax revenue represented 23.5 percent of Terre Haute's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion grew as income tax revenue represented 27.5 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



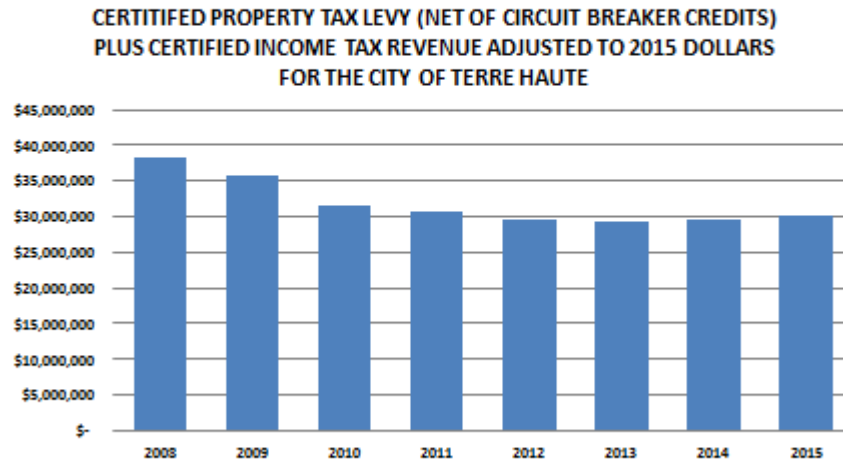
Fiscal Capacity Index

After exploring the changes which have occurred to the property and income tax revenues to the City of Terre Haute, 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.

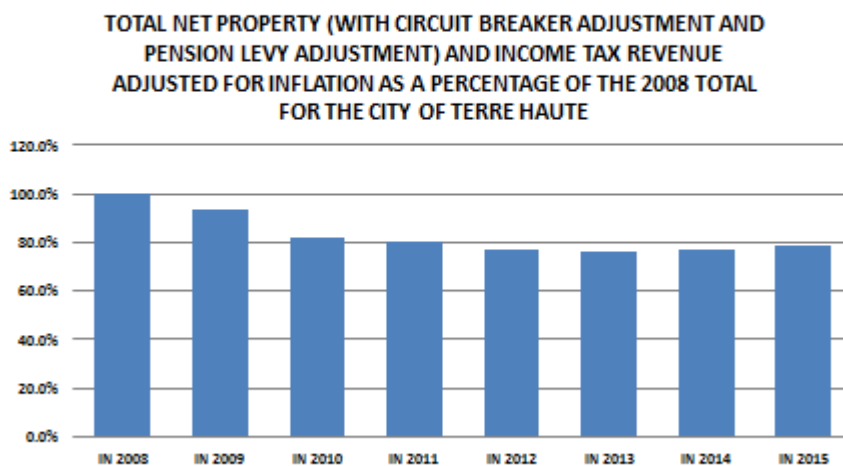
After the annual “core income” was determined for Terre Haute, this revenue was then adjusted for inflation, creating the real value of the annual revenue for comparison over the 2008-2015 timeframe. Figure 8 illustrates the inflation adjusted core income for the City of Terre Haute from 2008 through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

FIGURE 8



The City of Terre Haute's total certified property tax levy, net of circuit breaker, plus income tax revenue was, after adjusting for inflation, 78.4 percent of the 2008 total.¹ This was the third 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 \$35,814,166. This was the equivalent of 104 percent of 2008 core revenue.

FIGURE 9

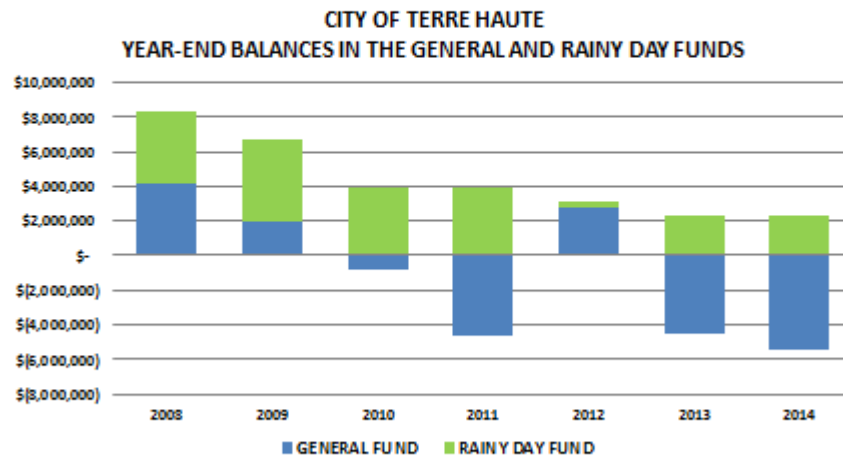


¹ The 2008 levy was adjusted to remove the Police and Fire Pension levies that the State took over in 2009.

Year-End Balances, Annual Receipts and Annual Disbursements

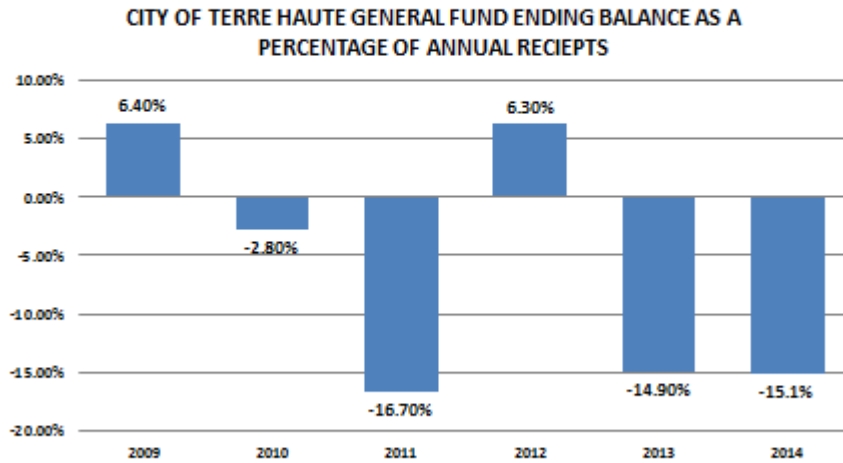
The 2014 year-end balance, including reserved and obligated funds, in the City of Terre Haute's General Fund was a negative \$5,446,506. Its Rainy Day Fund ended 2014 with a balance of \$2,350,655. The combined total balance for both funds at year-end 2014 was a negative \$3,095,851. This was a negative 8.6 percent of annual receipts from both funds combined, ranking as the second lowest of the eighteen selected municipalities. The combined total represented a negative \$51 per capita, the third lowest ranking. The combined General and Rainy Day fund balances decreased by \$9,797,032 between 2009 and 2014. This was the fourth lowest ranking among the selected municipalities.

FIGURE 10



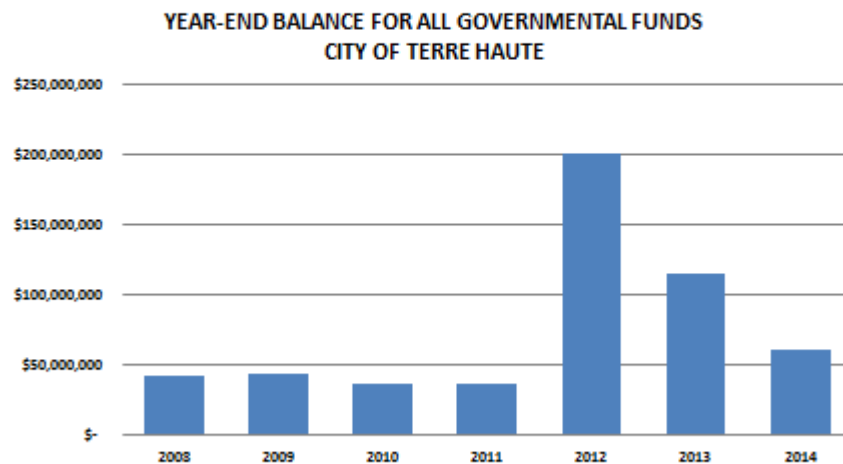
The 2014 year-end balance for all Governmental Funds for the City of Terre Haute was \$61,215,582. This was \$1,004 per capita, ranking fifth highest among the selected municipalities. General Fund disbursements represented 25.6 percent of all Governmental Fund disbursements in 2014. The year-end balance for all Governmental Funds was 67.5 percent of the 2014 receipts in those funds. Total disbursements from all Governmental Funds in 2014 were \$145,177,377. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$177,114,457 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$90,749,290. This was \$1,489 per capita, ranking as the 11th highest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 32.5 percent of all Governmental Fund receipts in 2014 for the City of Terre Haute.

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 Terre Haute was \$17,207,455 and represented 18.7 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 19.8 percent of total

annual revenue. Terre Haute was the fourth most dependent on Intergovernmental Revenue among the selected municipalities.² The 2011-2012 average annual intergovernmental revenue per capita was \$266, ranking Terre Haute as the eighth highest among the selected municipalities.

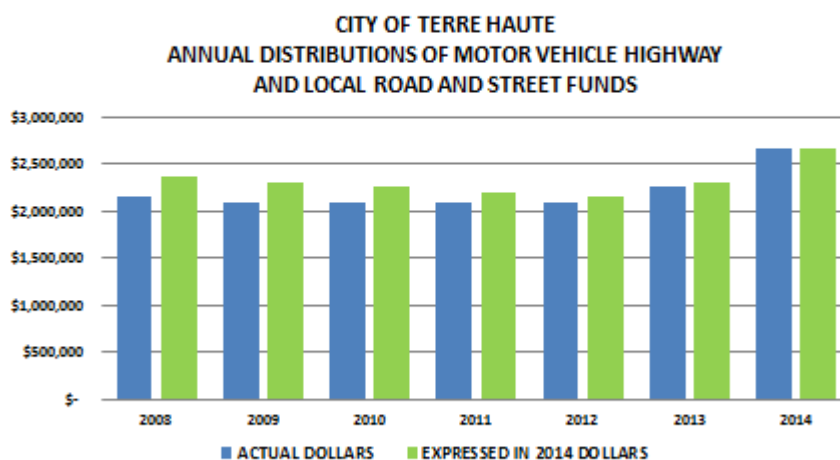
Highway Funding

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 Terre Haute.

In 2008, the City received a combined total of \$2,149,870 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$2,082,121. 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 Terre Haute. By 2014, the first full year that the increase was in effect, Terre Haute’s combined distributions had increased to \$2,667,103. This was a 24.1 percent increase over the 2008 distributions, ranking as the 9th highest percentage change among the selected municipalities. After adjusting for inflation, this was a 12.8 percent increase over the 2008 combined MVH and LR&S distributions. The composite inflation adjusted increase for all eighteen selected municipalities was 15 percent.

The City of Terre Haute does levy property taxes to support its MVH Fund. In 2015, its levy for this fund net of circuit breaker credits was \$365,834. It also levies property taxes to support a Transportation Fund and in 2015 it levies, net of circuit breaker credits, \$683,707 for this fund.

FIGURE 13



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

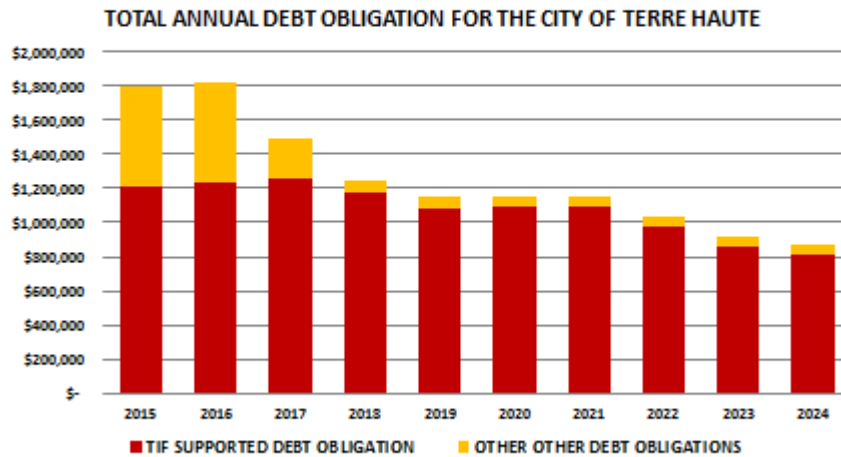
Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Terre Haute had total outstanding debt of \$18,816,874. This was \$308 of outstanding debt per capita, ranking the lowest among the selected municipalities.

Of the total outstanding debt, none was supported by wastewater revenues, none was supported by water revenues and 89.2 percent was supported by tax increment finance revenues. There is a separate Terre Haute Sanitary District with \$258,033,933 in outstanding debt as of July 1, 2014. Of that, \$225,106,333 was supported by wastewater revenues. The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$33, the lowest among the selected municipalities.

As of July 1, 2014, the City of Terre Haute had \$12,683,290 in outstanding debt supported with County Economic Development Income Tax revenues. This was 2.8 times the City’s 2015 CEDIT certified distribution. All or a substantial portion of this CEDIT debt must be a back-up for tax increment financing debt as the amount of TIF outstanding debt plus the amount of CEDIT outstanding debt equals substantially more than the total outstanding debt for the City.

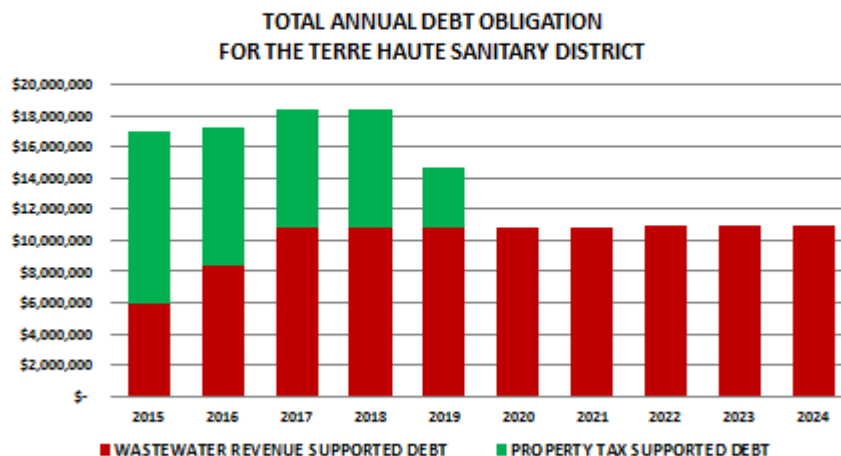
FIGURE 14



The 2024 projected total debt payments of all current outstanding debt is 48.7 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 Terre Haute is 20.7 percent.

There is a Terre Haute Sanitary District which has \$258,033,933 in outstanding debt as of July 1, 2014. Of that total, \$225,106,333 is wastewater revenue supported debt and the remainder is property tax supported debt. In 2014, the Terre Haute Sanitary District had a property tax rate of 0.3389 per \$100 of assessed valuation, all of which was for a Debt Service Fund.

FIGURE 15



Summary Observations

The indicators examined in this report paint a negative picture for the City of Terre Haute’s fiscal health relative to the group of eighteen municipalities included in the study. It operates in the third most difficult economic climate of these municipalities. The difficulty of this climate is perhaps best typified by the 12.9 percent decline in the city’s gross assessed valuation between 2007 and 2015. It does fair better on the change in net assessed valuation between these years – close to the composite change for the entire group. However, its net assessed valuation has declined since the increases in homestead credits were enacted in 2008 and 2009. Terre Haute has the fourth lowest net assessed valuation per capita among the included municipalities.

It does have the sixth highest property tax rate among the group of eighteen, a factor which takes on new meaning in the age of the property tax caps. Since 2011, Terre Haute’s property tax levy has increased slightly below the maximum levy growth quotient (the six year rolling average of Indiana non-farm personal income). In 2015, it lost 31.6 percent of its certified property tax levy to credit breaker credits – the fifth highest percentage loss among the eighteen municipalities.

The local income tax rate in Vigo County of 1.25 percent has remained unchanged since at least 2008. The City of Terre Haute has experienced a slight decline in its income tax revenue since 2008. It is one of only three of the studied municipalities to have experienced an actual decline in its income tax revenue over this period. The combination of a relatively high loss of property tax levy due to the property tax caps and the actual decline in income tax revenue lead to Terre Haute ranking as the third lowest municipality in this study’s Fiscal Capacity Index.

Also of concern is the nearly \$10 million decline in the year-end combined balance in Terre Haute’s General and Rainy Day Funds since 2009, ending 2014 with a negative balance in the General Fund of \$5,446,506 and a positive balance of \$2,350,655 in its Rainy Day Fund. Terre Haute was one of only three of the selected municipalities to end 2014 with a negative balance in the combination of these two funds. Its 2009-2014 decline in the combination of these two funds was also the third most dramatic

decrease among the group of studied municipalities. Terre Haute had the third highest level of disbursements per capita from all Governmental Funds among the cities in the study at \$2,382 per resident. On the positive side, Terre Haute had the lowest total of outstanding debt per capita as of July, 2014 among the selected municipalities. Perhaps most indicative of its fiscal situation, the City of Terre Haute ranked last on this study's Fiscal Health Index.