



www.ReedyFinancialGroup.com

Eric Reedy, CPA
President
ereedy@reedyfinancialgroup.com

Branden Robbins, CPA
Partner
brobbins@reedyfinancialgroup.com

Gary Smith, CPA, MA
Partner
gsmith@reedyfinancialgroup.com

Jerry Hickman, CPA
Partner
jhickman@reedyfinancialgroup.com

Southern Indiana Office:
812-522-9444
103 Community Drive
Seymour, IN 47274

Central Indiana Office:
317-820-3440
115 W Washington St, Ste 1690
Indianapolis, IN 47274

January 26, 2024

The purpose of this report is to provide expert disclosures regarding the proposed annexation of Area 1A and 1B by the City of Bloomington.

We, Reedy Financial Group, PC, have provided two expert opinions. We formulated these opinions based on our experience, facts, and data. Supporting exhibits are referenced throughout the report, see "Table of Contents."



TABLE OF CONTENTS

1. INTRODUCTION	2
2. EXPERT OPINION 1	3
3. EXPERT OPINION 2	4
4. EXHIBIT A.....	7

1. INTRODUCTION

I am Eric Reedy, CPA. As the founder and managing partner of Reedy Financial Group, PC. I've been a CPA since 1997. I began my career assisting local governments back in 1993, when I worked for the State Board of Tax Commissioners who oversaw local government budgeting and assessing. I left the State in 1995 and became a municipal consultant, working with C.L. Coonrod & Co until 2002. I then worked as a partner with Jeff Peters until December 2008 when I founded Reedy Financial Group, PC, in January 2009. I have over 30 years of experience in municipal budgeting, economic development, extension of services, rates and charges, financial impact, long-term operating and capital financial planning, utility consulting, accounting and bookkeeping, tax increment finance, and financial advisory services.

I have attended many training courses. My CPA requires 120 hours over a three-year period. Over those many years I've attended many courses dealing with local government finance, accounting, budgeting and other relevant subject matters through the Government Finance Officers Association, the Indiana CPA Society, American Water Works Association, and others. I have also conducted several workshops for Indiana local units of government on topics pertinent to them through various member organizations such as Accelerate Indiana Municipalities.

We currently have an engagement with Bloomington RDC. We also have an engagement with the City for Annexation Consulting Services. Our rates are billed to the City hourly and vary depending on the position of the employee(s) producing the work. See Exhibit A for hourly rates detail.

Our Firm has been directly involved in many municipal annexations, both voluntary and involuntary, large and small. However, I have not provided expert testimony for annexation within the last four years.

2. EXPERT OPINION 1

The City of Bloomington's Fiscal Plan for Municipal Annexation (Version 5.0, September 10, 2021) complies with Indiana Code 36-4-3-13(d), and the City has made a credible commitment to provide non-capital and capital services to the annexation territories, within one year and three years of the effective date, respectively, in the same manner as those services are provided or made available to comparable areas within the corporate boundaries of Bloomington.

BASIS OF OPINION 1

My opinion is based on my decades of experience in conjunction with my work with the City beginning in 2016-17, and since, to review the potential for annexation, the City's services, costs and financial impacts, and developing a fiscal plan for the eventual annexations, all of which culminated in the Fiscal Plan for Municipal Annexation 5.0, which is incorporated herein by reference. Our files and supporting data relating to the fiscal plan were also previously provided. The Fiscal Plan includes facts and data used to formulate my opinion and is one of the most comprehensive fiscal plans prepared to date. For example:

IC 36-4-3-13(d)(1) - The City Administration and our Firm, Reedy Financial Group, worked with all Department Heads over the course of several months, beginning with updates from Fiscal Plan 3.0, 2017, to produce cost estimates for the extension of services to each annexation area. Annexation areas were considered individually and comprehensively. Minimum and maximum costs are included in the Fiscal Plan to provide an effective range of costs for each Department. In general, cost estimates were based on the most relevant factors for each department using 2021 input costs as the baseline and allocated to each annexation area based on the assessed value added relative to each annexation area, except in cases where specific costs were allocated only to a given annexation area(s). For instance, the Parks Department allocated costs to each annexation area based on estimated trail and park maintenance for existing infrastructure and/or planned expansions. Staffing, supplies, and other services and charges were considered as a percentage of the 2021 budget relative to the increase in trails and parks in each annexation area. Cost estimates may be found starting on page 189 of Fiscal Plan 5.0.

IC 36-4-3-13(d)(2) – Revenue estimates were calculated for all major funding sources for each annexation area, beginning on page 216 of Fiscal Plan 5.0, including:

- Maximum property tax levy adjustment and Reestablishment of Cumulative Capital Development Rate to max, \$0.0500
 - Less circuit breaker credits
- Local income tax – all rates that existed in 2021
- Motor Vehicle Highway Distribution
- Local Road & Street Distribution
- Wheel Tax
- Motor Vehicle and Commercial Vehicle Excise Taxes
- Financial Institutions Tax
- ABC Excise and Gallonage Taxes
- Cigarette Tax
- Riverboat Wagering Distributions

Net revenue resulting from annexation will be placed in an impoundment fund for that annexation area for three years for additional investment in the annexation area. An Advisory Board will help oversee the use of the impoundment funds, with a majority of the Board comprised of property owners and residents in the annexation area as well as representatives from County and Township government. The City will have sufficient revenue to pay for the extension of services, including the ability to bond for capital expenses to the extent needed.

IC 36-4-3-13(d)(3-5) – See generally “Municipal Services” beginning on page 33 and “Revenues over Costs” beginning on page 189 of Fiscal Plan 5.0. Non-capital services will be provided at the same level as services currently provided by the City within one year of annexation. When applicable, based on timing and cash flow considerations, capital services are intended to be provided as soon as possible, shown within Year 2 of “Revenues Over Costs” in Fiscal Plan 5.0.

IC 36-4-3-13(d)(6 & 9) – See generally “Tax Bill Impact Projections – Parcel List” beginning on page 386 and “Tax Cap (Circuit Breaker) Impact Projections – Parcel List” beginning on page 523. Property tax rates were generally calculated based on the annexation adjustment factor to the maximum property tax levy for each annexation area, less the City’s rate allocable to Fire protection services in the case of Annexation Area 1B and those areas in 1A that will continue to be covered by the Monroe County Fire Protection District, plus estimated debt service rates, where applicable. Overall impacts will be reduced by savings such as the rate differential between inside and outside utility users and the water surcharge for outside users for fire protection.

We also provided additional taxpayer analyses at the City’s request beginning on page 159 of Fiscal Plan 5.0, including:

- Sample parcels from each annexation area – “Township Annexation Area Impacts”
- Mean and median property tax impacts
- Population comparison
- Median household income comparison

IC 36-4-3-13(d)(7) – see generally “Revenues Over Costs” beginning on page 80 in Fiscal Plan 5.0.

IC 36-4-3-13(d)(8) – see generally “Overlapping Unit Impact Projections” and “Overlapping Unit Tax Cap (Circuit Breaker) Impact Projections”, beginning on pages 109 and 150, respectively, in Fiscal Plan 5.0. These sections detail impact projections directly related to annexation.

4. EXPERT OPINION 2

The City of Bloomington’s annexation of Area 1A and Area 1B is in the best interest of the owners of land in the territory proposed to be annexed.

BASIS OF OPINION 2

My opinion is based on my decades of experience around the State and in conjunction with my work with the City beginning in 2016-17, and since, as well as the Fiscal Plan for Municipal Annexation 5.0, which is incorporated herein by reference. We have also maintained the City’s Long-Term Operating and Capital Improvement Plan the past several years.

Fiscal Plan 5.0 demonstrates that landowners will benefit from the improvements and increased/enhanced services to be provided by the City, all at a property tax rate that is among the lowest in the region and second lowest of the 21 most comparable cities in the State, see “Comparative Data” beginning on page 173. Examples of investments to be made by the City include plans for new parks, upgraded playing fields, trail connections, and enhanced services like road improvements, curbside recycling, and safety inspections on rental housing. See Fiscal Plan 5.0 for additional services, “Municipal Services” beginning on page 35 and “Projected Costs by Department” beginning on page 88.

The annexations will also provide for an impoundment fund for additional projects at the request of property owners and residents in the specific annexation areas, for which the impoundment fund is established, see page 33 of the Fiscal Plan for a description and page 207 for Area 1B. Examples of additional benefits include: weekly household trash pickup (as low as \$7 per month, which would result in substantial savings for some landowners), weekly free curbside recycling pickup, average of 11% reduction to sewer bill, lower

prices for City Parks and Recreation Programs and rentals, seasonal snow removal, regular street sweeping and maintenance, access to City grant and incentive programs, including but not limited to interest free home rehabilitation loans, neighborhood improvement grants, and low-interest loans for green home improvements.

There is also evidence supporting that landowners would receive superior services should they be annexed into the City. For example, Bloomington Police Department is among the top 5% nationally accredited police departments, based on CALEA, The Commission on Accreditation for Law Enforcement Agencies, Accreditation. More officers and ready access mean quicker response times compared to what they currently receive. The City also has the capacity to conduct criminal investigations, which are currently contracted out to the City by other Monroe County units of government.

Additionally, the City is positioned to provide superior fire coverage in those areas that it will provide service and is able to do so if called upon to those areas currently served by the Monroe County Fire Protection District, at approximately \$0.12 to \$0.14 per \$100 of net assessed value, see Fiscal Plan 5.0. Monroe County Fire Protection District's Certified 2023 property tax rate is \$0.2787, resulting in savings to the annexation area for fire protection greater than fifty percent, 50%.

The City has an ISO, Insurance Services Organization (one of the factors in setting personal and business insurance premiums) rating of 1, the highest possible rating (1 of only 4 in the State of Indiana out of over 1500) whereas Monroe County Fire Protection District has ISO Ratings as follows:

- ISO Rating 4 – in areas within 5 miles of a fire station and 1000 feet of a fire hydrant
- ISO Rating 9 – in areas within 5 miles of a fire station, but not within 1000 feet of a fire hydrant
- ISO Rating 10 – not within 5 miles of a fire station and not within 1000 feet of a fire hydrant

The ISO rating is an accurate indicator of the ability of a fire department to respond to and put out a fire. All else equal, the City's ISO rating would result in both better fire protection coverage and lower property insurance premiums for landowners. Furthermore, the City does not have an automatic response agreement with Monroe County Fire Protection District.

In addition, the City has made substantial investment in utility infrastructure, which includes 61.1 miles and 50.80 miles of sewer and water infrastructure in Annexation Areas 1A and 1B, respectively. See Fiscal Plan 5.0. The intended goal of this investment was to incentivize development in these Annexation Areas, and the landowners benefited from the availability of that service. That is, the extension of City services to these areas is the catalyst for development. It is worth noting that 44.4% of parcels have waivers in Area 1A and 54.7% of parcels have waivers in Area 1B. Natural extensions of utility services were provided to adjacent areas surrounding waived properties, otherwise, these percentages would likely be higher. Utility service is essential for orderly development, to protect the environment, and to allow for future economic development. The City has since adopted policies restricting further connections to the City's utilities outside of the City's boundaries without annexation. There are property owners outside of the City with failing septic systems that are not directly adjacent to the City to allow for their individual annexation. If Areas 1A and 1B are not annexed, property owners with failing septic systems may not have access to any public sewers.

The City is the largest urbanized area between Evansville and Indianapolis. Thus, it is best suited to manage the development and growth of the I-69, Interstate 69, expansion in annexation areas 1A and 1B, at 3.3 miles and 2.4 miles respectively. As previously stated, the City already has substantial utility assets in the ground in the I-69 coverage area and does not intend to further extend utility services to landowners who are not annexed first. Fiscal Plan 5.0 provides a description of services and plans for the I-69 Development within annexation areas 1A and 1B, beginning on page 16 and quantified beginning on page 88, "Projected Costs by Department."

It is not in the best interest of the landowners to reject Bloomington. Stated another way, the annexation of areas 1A and 1B by the City is in the best interests of the landowners in those areas.

Sincerely,

Eric Reedy, CPA, President, and Managing Partner - Reedy Financial Group, PC

5. EXHIBIT A: REEDY FINANCIAL GROUP HOURLY RATE STRUCTURE

We shall invoice at the beginning of each month for work performed during the previous month at the hourly rates outlined below, plus out-of-pocket expenses.

Our hourly rate ranges (depending on the complexity of services) are outlined as follows:

<u>Position:</u>	<u>Hourly Rate Range:</u>
<u>Owner/Director</u>	<u>\$125.00 - \$285.00 (Mr. Reedy bills at \$200/hr. for annexation consulting)</u>
<u>Manager</u>	<u>\$105.00 - \$265.00</u>
<u>Consultant</u>	<u>\$75.00 - \$225.00</u>
<u>Admin</u>	<u>\$50.00 - \$65.00</u>
<u>Out of Pocket Expenses:</u>	<u>At Cost</u>

NOTE: We do not charge a retainer or provide transaction-based compensation; rather we submit bills based on hours worked.