



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

March 1st, 2024

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

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



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1. INTRODUCTION

This report is provided by Eric Reedy, CPA, Reedy Financial Group, PC and is offered as a rebuttal to the Petitioner's expert disclosure. I previously provided a report dated January 26, 2024, in this matter, which is incorporated herein by reference. Please see the prior report for introduction, previous opinions, and rate structure.

2. EXPERT OPINION 3

The annexation of Area 1A and 1B by the City of Bloomington will not have a significant financial impact.

BASIS OF OPINION 3

My opinion is based on my decades of experience around the State, my work with the City of Bloomington, my expertise with local government finance, the provision of services, and development throughout the State, and my review and work on this annexation and other annexations around Indiana. As previously outlined, we also prepared 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, including but not limited to a parcel-by-parcel impact analysis as well as fiscal impact projections and comparisons. I have also reviewed the most recent available tax and budget data for Monroe County. My opinion is supported by the combined property tax rates for the areas, the effect of the circuit breaker on property taxes, the comparative combined tax rates for other municipalities throughout the state, including in particular the combined tax rates for the largest municipalities and surrounding cities and towns, and the comparative tax rates from other annexations. I am also familiar with the types of charges that may be imposed by Bloomington to out of town customers for services such as the uses of facilities and amenities, which would impact the annexation area residents if annexation does not occur. Moreover, lack of annexation and City services (such as sewer) would have a negative financial impact on landowners seeking to develop their property.

In addition to materials outlined in the Fiscal Plan demonstrating annexation area landowners will comparatively experience lower impacts than in other areas, we have prepared Exhibit 1 (enclosed), which shows that based on Certified 2023 Data the City of Bloomington's average district property tax rate is 60.7% below the average among comparable Indiana Cities by population, and adjoining/nearby Indiana Cities. That is, taxpayers annexed into the City of Bloomington will, on average, pay substantially lower property taxes than they would in comparable Indiana Cities and surrounding cities based on Certified 2023 Data. Conversely, Bloomington is among only three Indiana Cities, in the comparison, where the average incorporated home value is higher than the unincorporated home value. Furthermore, median household income is lower in Bloomington Incorporated Areas than in unincorporated areas. As such, Bloomington Incorporated Taxpayers are already paying higher property taxes than unincorporated taxpayers, with lower median household income to cover those taxes. Stated another way, Landowners in the annexation areas, with average assessed values lower than those currently present in the Bloomington Incorporated Areas but a higher median household income, are more likely able to absorb any newly assessed municipal tax rate post-annexation compared to current City residents. This is not a significant financial impact to residents and landowners in the annexation areas.

It is my opinion that the Annexation would add a normal (or in fact below normal) municipal layer of property tax that incorporated taxpayers already pay, minus adjustments for existing debt, and fire protection services (in the Monroe Fire Protection District Service Area) in return for extending City services (at City rates) to those annexed. Moreover, annexed taxpayers would pay a much lower total property tax rate than they would in comparable Indiana Cities.

I have also reviewed Exhibits 3 and 4 of the Monroe County Assessor's, Mrs. Judith Sharp's, deposition, and a rough draft of the transcript of that deposition. I do not agree with the conclusions found therein, nor do those exhibits accurately calculate the average of the tax increase following the annexation of Area 1A and 1B. Those exhibits certainly do not support the conclusion that this annexation will have a significant financial impact on residents and landowners in Area 1A and 1B. For example, consideration was not given to the fact that taxpayers in Van Buren and Perry Townships will not be paying the City's property tax rate for fire protection, calculated as the Fire Department Budget within Bloomington's General Fund divided by the total General Fund Budget times the General Fund Property Tax Rate. Additionally, annexed taxpayers would not pay existing property tax rates for City Debt, \$0.066 for 2023 Certified. Furthermore, the model does not consider the nuances of individual parcels; it applies Bloomington Township property tax rate versus Bloomington City property tax rate across both annexation areas, regardless of Township and fire protection status, and ignores deductions and property tax relief and circuit breaker credits specific to each parcel. Therefore, it does not accurately calculate the tax impact from annexation. It is also worth noting that Annexation Area 1B includes parcels within Perry and VanBuren Townships only, both of which would continue to receive fire protection from the Monroe County Fire Protection District, thus, would not pay Bloomington City's property tax rate for fire protection. Finally, Mrs., Sharp's Exhibits 3 & 4 do not consider savings to annexed landowners. See City of Bloomington Annexation Fiscal Plan, "Tax Bill Impact Projections – Parcel List," pages 386 – 471 for a parcel-by-parcel breakdown of property tax bills in Annexation Areas 1A and 1B.

Every annexation results in some reallocation of tax disbursements between overlapping taxing authorities, and depending on tax rate, causes additional circuit breaker impact. At the same time, governmental entities prepare budgets as a part of the process for establishing their tax levies, as calculated and certified by the DLGF. Those budgets incorporate assumed and actual growth of the assessed value of real estate in each taxing district. As shown through Fiscal Plan 5.0, the growth in assessed value is an offset to the overlapping unit impact following an annexation. The projections in Fiscal Plan 5.0 assumed a conservative three percent per-year growth in the assessed value. The Fiscal Plan shows that every overlapping taxing authority would have net gains in tax revenue following the annexations. The Fiscal Plan also shows that the impacts are offset by reduction of service obligations of those entities and/or can be absorbed. Moreover, the overlapping unit impact is less so given that only Annexation Areas 1A and 1B are being annexed at this time. Annexation Areas 1A and 1B account for approximately 60% of the total net assessed value added for all annexations (see generally page 179 of the Fiscal Plan 5.0). The "Annexation Impact, net of service level reductions," found on page 110 of Fiscal Plan 5.0, to Monroe County, for instance, would therefore be approximately 60% of \$1,896,143, or \$1,137,686, for Annexation Areas 1A and 1B combined, which would increase the revenue surplus shown on page 110 of Fiscal Plan 5.0 by roughly \$700,000. Furthermore, Fiscal Plan 5.0 "Overlapping Unit Impact Projections" assumptions were conservative across the board. For example, Fiscal Plan 5.0 has a (Year 1) 2024 Total LIT Certified Shares projection of \$37.3 million, with the County receiving \$14.3 million. The actual 2024 DLGF Certified Total Distribution is \$40.2 million, or 7.8% higher than projected, in which case the County is expected to receive \$15.7 million.

Furthermore, as shown on page 110 of Fiscal Plan 5.0, we noted that a LIT rate of approximately 0.1% would essentially recoup the loss to overlapping municipalities for all annexation areas combined. To that end, the Local Income Tax Council, controlled in majority by the City, approved a LIT Economic Development rate of 0.69% effective Pay 2023, or roughly seven times greater than the rate needed to recoup LIT loss. That is, Monroe County now has \$11.24 million of additional revenue, based on 2024 DLGF Certification, unaccounted for in Fiscal Plan 5.0, or approximately seven times what the County needs to recoup the loss due to annexation of all areas, or more than eleven times greater than what is needed to recoup the loss attributable to Areas 1A and 1B, all else equal.

In sum, the City's annexation of Area 1A and 1B will not have a significant financial impact in those areas.

Exhibit 1 - 2023 Property Tax, Circuit Breaker, and Median Household Income Data For Select Indiana Cities

| City/Town | Population Estimate (2020) | Department of Local Government Finance records | US Census Bureau, census.gov | Average Home Value greater than County Average Home Value | | | | | | | | |
|--|----------------------------|---|------------------------------|---|-------------|------------------|-------------------|------------------|-------------------|------------|-----------|-------------------------------|
| | | Largest Taxing District Rate where City/Town is located | County the City is Located | City MHL greater than County MHL Home Value | | | | | | | | |
| | | Municipality Taxing District Breaker % | City Average Home Value | County MHL Home Value | | | | | | | | |
| | | Target Uninc. Twp. Circuit Breaker % | City MHL Home Value | County MHL Home Value | | | | | | | | |
| State Indiana | | | | | | | | | | | | |
| du | | | | | | | | | | | | |
| Monroe County MHI greater than City MHI | | | \$ 13,765 | | | | | | | | | |
| % Monroe County MHI higher than City MHI | | | 29.6% | | | | | | | | | |
| Bloomington Average Home Value greater than Monroe County Average Home Value | | | \$ 27,300 | | | | | | | | | |
| % Bloomington Average Home Value is greater than Monroe County Average Home Value | | | 10.2% | | | | | | | | | |
| *Projected district property tax rate post annexation - based on 2023 district property tax adjusted for City Fire Department Budget and existing debt service property tax rates | | | | | | | | | | | | |
| *2023 Bloomington Fire Department Adopted Budget (Gateway) = \$13,204,554/\$49,779,420 (total General Fund Budget) = 0.26526 x \$0.5515 (General Fund property tax rate) = \$0.1463 | | | | | | | | | | | | |
| *2023 Bloomington Debt Service Property Tax Rate = \$0.0660 = Bloomington City Post Annexation Rate of \$0.6422 (Includes 2023 Bloomington Transportation Property Tax Rate of \$0.0319) | | | | | | | | | | | | |
| *Adjustment for Bloomington Fire Protection applies to annexed parcels in Van Buren and Perry Townships | | | | | | | | | | | | |
| Bloomington* | 85,603 | \$ 1,9630 | | Bloomington Tsp | | | | | | | | |
| Bloomington* | 85,603 | \$ 2,1230 | | Perry Tsp | | | | | | | | |
| Bloomington* | 85,603 | \$ 2,3388 | | Richland Tsp | | | | | | | | |
| Bloomington* | 85,603 | \$ 2,1554 | | Van Buren Tsp | | | | | | | | |
| Bloomington Avg/Aggregate* | 85,603 | \$ 2,1451 | 1.9% | \$ 1,4532 | 2.8% | \$ 46,543 | \$ 267,900 | \$ 60,308 | \$ 240,600 | Yes | No | City Average/Aggregate |

Exhibit 1 - 2023 Property Tax, Circuit Breaker, and Median Household Income Data For Select Indiana Cities

| City/Town | 2020 Population Estimate (state.indiana.gov) | Department of Local Government Finance records | | | US Census Bureau, census.gov | | | Average Home Value greater than County Average Home Value | | |
|---|--|--|--|-----------------------------|------------------------------|-------------------------------|--------------------------------|---|-----|---------------------------------|
| | | Municipality Taxing District Tax Rate | Largest Tsp. Taxing District Rate where City/Town is located | Uninc Twp Circuit Breaker % | City Average Home Value | City is Located in County MHL | Value in unincorporated County | | | |
| Comparable Cities (populations 50,000 - 125,000) | | | | | | | | | | |
| Anderson | 54,631 | \$ 4.9764 | \$ 4.9764 | 37.0% | \$ 44,974 | \$ 101,700 | \$ 60,060 | \$ 135,100 | No | Anderson Tsp fully incorp. |
| Carmel | 101,643 | \$ 2.0626 | \$ 2.0626 | 5.6% | \$ 132,859 | \$ 425,900 | \$ 114,866 | \$ 350,900 | Yes | Clay Tsp is fully incorporated |
| Elkhart | 52,172 | \$ 3.7436 | \$ 2.1666 | 15.6% | \$ 46,534 | \$ 119,300 | \$ 63,978 | \$ 181,800 | No | Concord Tsp |
| Evansville | 118,407 | \$ 3.5763 | \$ 2.2030 | 28.2% | \$ 49,853 | \$ 121,100 | \$ 58,839 | \$ 162,800 | No | Knight Tsp |
| Fishers | 97,020 | \$ 2.2209 | \$ 1.7360 | 5.7% | \$ 126,548 | \$ 339,000 | \$ 114,866 | \$ 350,900 | Yes | Fall Creek Tsp |
| Gary | 74,693 | \$ 9.1873 | \$ 4.5816 | 57.8% | \$ 36,874 | \$ 81,800 | \$ 66,375 | \$ 195,100 | No | Catumet Tsp |
| Greenwood | 60,279 | \$ 1.8429 | \$ 1.3439 | 7.7% | \$ 75,398 | \$ 226,500 | \$ 82,730 | \$ 240,700 | No | Pleasant Tsp |
| Hammond | 75,342 | \$ 4.7575 | \$ 4.7575 | 24.2% | \$ 52,368 | \$ 129,100 | \$ 66,375 | \$ 195,100 | No | North Tsp is fully incorporated |
| Kokomo | 58,243 | \$ 4.0445 | \$ 2.3148 | 25.9% | \$ 53,967 | \$ 118,400 | \$ 62,014 | \$ 143,100 | No | Center Tsp |
| Lafayette | 71,484 | \$ 2.5707 | \$ 1.5078 | 3.2% | \$ 50,674 | \$ 145,200 | \$ 55,728 | \$ 199,300 | No | Fairfield Tsp |
| Mishawaka | 50,312 | \$ 4.0884 | \$ 1.9879 | 23.2% | \$ 51,543 | \$ 128,200 | \$ 61,877 | \$ 165,700 | No | Penn tsp |
| Muncie | 67,523 | \$ 5.4700 | \$ 2.8694 | 52.0% | \$ 40,309 | \$ 88,000 | \$ 53,377 | \$ 120,500 | No | Center Tsp |
| Noblesville | 65,835 | \$ 2.7213 | \$ 1.8321 | 14.5% | \$ 99,458 | \$ 295,700 | \$ 114,866 | \$ 350,900 | No | Noblesville Tsp |
| South Bend | 101,868 | \$ 5.2897 | \$ 2.7037 | 39.3% | \$ 49,056 | \$ 113,800 | \$ 61,877 | \$ 165,700 | No | Portage Tsp |
| Terre Haute | 60,410 | \$ 4.5168 | \$ 2.2426 | 39.7% | \$ 41,230 | \$ 99,600 | \$ 52,789 | \$ 130,300 | No | Harrison Tsp nearly all incorp. |
| West Lafayette | 51,605 | \$ 2.7737 | \$ 1.5538 | 9.7% | \$ 30,317 | \$ 303,300 | \$ 55,728 | \$ 199,300 | Yes | Wabash Tsp |

Exhibit 1 - 2023 Property Tax, Circuit Breaker, and Median Household Income Data For Select Indiana Cities

| City/Town | Population Estimate (2020) | Department of Local Government Finance records | US Census Bureau, census.gov | Average Home Value greater than County | Average Home Value greater than City | Average Home Value greater than County | Average Home Value greater than Township | | | | | |
|---|----------------------------|--|------------------------------|--|--------------------------------------|--|--|------------------|--------------------|----|-----|----------------|
| City/Town | Population Estimate (2020) | State Indiana Tax Rate | Largest Taxing District Rate | Target Uninc Tax Rate | City Home Value | City Home Value | City Home Value | | | | | |
| City/Town | Population Estimate (2020) | Municipality Taxing District Rate | City/Town located | Circuit Breaker % | City Home Value | City Home Value | City Home Value | | | | | |
| City/Town | Population Estimate (2020) | City Tax Rate | City/Town located | Circuit Breaker % | City Home Value | City Home Value | City Home Value | | | | | |
| Bedford | 14,898 | \$ 3.5162 | 16.9% | \$ 1.9336 | 4.3% | \$ 49,492 | \$ 123,200 | \$ 64,210 | \$ 146,700 | No | No | Shawswick Tsp |
| Martinsville | 11,810 | \$ 2.3772 | 1.1% | \$ 1.2221 | 0.8% | \$ 57,383 | \$ 136,000 | \$ 79,134 | \$ 200,600 | No | No | Washington Tsp |
| Franklin | 25,866 | \$ 3.0623 | 17.0% | \$ 2.0141 | 11.3% | \$ 72,344 | \$ 195,100 | \$ 82,730 | \$ 240,700 | No | No | Franklin Tsp |
| Seymour | 20,096 | \$ 2.9249 | 3.3% | \$ 1.6367 | 2.7% | \$ 57,347 | \$ 140,200 | \$ 65,609 | \$ 161,300 | No | No | Jackson Tsp |
| Salem | 6,236 | \$ 4.0020 | 31.9% | \$ 1.9844 | 4.0% | \$ 48,205 | \$ 132,800 | \$ 60,695 | \$ 158,200 | No | No | Washington Tsp |
| Columbus | 48,445 | \$ 2.6015 | 8.6% | \$ 1.7222 | 5.6% | \$ 75,114 | \$ 211,700 | \$ 76,912 | \$ 197,500 | No | Yes | Columbus Tsp |
| Averages | | \$ 3.4464 | 20.4% | \$ 2.2959 | 14.1% | \$ 60,365 | \$ 175,804 | \$ 71,128 | \$ 201,426 | | | |
| Bloomington* | | \$ 2.1451 | 1.9% | \$ 1.4532 | 2.8% | \$ 46,543 | \$ 267,900 | \$ 60,308 | \$ 240,600 | | | |
| Bloomington below(above) the Average | | \$ 1.3013 | 18.6% | \$ 0.8427 | 11.4% | \$ 13,822 | \$ (92,096) | \$ 10,820 | \$ (39,174) | | | |
| % Bloomington below(above) the Average | | 60.7% | 991.7% | 58.0% | 411.8% | 29.7% | -34.4% | 17.9% | -16.3% | | | |