

STATE OF INDIANA
DEPARTMENT OF LOCAL GOVERNMENT FINANCE
Room 1058, IGCN – 100 North Senate
Indianapolis, IN 46204

IN THE MATTER OF THE REQUEST)
OF CITY OF GREENWOOD,)
JOHNSON COUNTY, FOR AN) A23-053
EXCESS LEVY DUE TO)
THREE-YEAR GROWTH)

The Department of Local Government Finance (“Department”) has reviewed an appeal by City of Greenwood (“City”) for an excess levy in the amount of \$1,435,000 to its civil maximum levy due to three-year growth. Ind. Code § 6-1.1-18.5-13 allows the Department to grant permission to a civil taxing unit to increase its maximum levy if the Department finds that the quotient determined under Step Six of the following formula is equal to or greater than one and two-hundredths (1.02):

Step 1: Determine the three calendar years that most immediately precede the ensuing calendar year:
2023, 2022, and 2021

Step 2: Compute separately, for each of the calendar years determined in Step 1, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the sum of the civil taxing unit's total assessed value of all taxable property divided by the sum determined under this Step for the calendar year immediately preceding the particular calendar year.:

City assessed values for 2020, 2021, 2022, and 2023, respectively:

<i>2020:</i>	<i>2,590,166,416</i>
<i>2021:</i>	<i>2,817,179,542</i>
<i>2022:</i>	<i>3,128,195,185</i>
<i>2023:</i>	<i>3,757,898,587</i>

Step 2 quotients:

<i>2021/2020:</i>	<i>1.0876</i>
<i>2022/2021:</i>	<i>1.1104</i>
<i>2023/2022:</i>	<i>1.2013</i>

Step 3: Sum the results of Step 2 and divide by three:

1.1331 ([1.0876+1.1104+1.2013]/3)

Step 4: Compute separately, for each of the calendar years determined in Step 1, the quotient (rounded to the nearest ten-thousandth (0.0001)) of the sum of the total assessed value of all taxable property in all counties divided by the sum determined under this Step for the calendar year immediately preceding the particular calendar year.

Statewide average quotients for 2021, 2022, and 2023, respectively:

1.0392; 1.0541; 1.1481

Step 5: Add the Step 4 results and divide by three:

1.0804 ([1.0392; 1.0541; 1.1481]/3)

Step 6: Divide the Step 3 results by the Step 5 results:
1.0487 (1.1331/1.0804)

The maximum amount that the Department may award is the amount by which Step 3 exceeds the maximum levy growth quotient (“MLGQ”) as calculated according to Ind. Code § 6-1.1-18.5-2 (this amount is 1.04 or 4% for 2024; since 1.0487 is greater than 1.020, the City is eligible for a three-year growth appeal):
0.0931 (9.31%) (1.1331-1.0400)

The City’s 2023 maximum civil levy is \$15,372,556. This is the most recent civil maximum levy that the Department can use as the basis for an adjustment. Multiplying this figure by the 9.31% growth factor calculated above results in a figure of \$1,431,406, which is the maximum for which the City could qualify under the statutory formula. Under Ind. Code § 6-1.1-18.5-12(a), the City must also show that it is unable to perform its government functions without this increase.

The City states in its appeal that the City is growing faster than the rate that the state-allowed levy is allowed to grow. The City states that an excess levy is necessary for additional public safety and other staffing. The City then states in its appeal the following statement:

“The City estimates that the municipal tax rate will not increase due to this levy appeal. Should the appeal be unsuccessful, the City would instead issue General Obligation Bonds to fund capital expenditures and maintain a tax rate consistent with the pay 2023 tax rate. However, City leadership agrees that the citizens of Greenwood will be better served by generating additional operating dollars to fund on-going services necessary to support the expanding population.”

The City goes on to state that a new fire station will be opened in 2026 and will need to be staffed with 12 full-time firefighters and the accompanying benefits and operation costs.

The City includes in its appeal two powerpoint presentations, dated October 2 and October 16, 2023, respectively. The October 2 presentation states that since the maximum levy was first imposed in the 1970s, the City has grown despite operating with limited funding, especially compared with other Indianapolis suburbs. It also states that the City has been hearing how it has not been adequately funding public safety, for which the excess levy appeal is a solution “that increases our ability to fund public safety and doesn’t short-change every other service offered by the City.” The October 2 presentation then states that the City is not claiming that a government function will not be carried out, but simply that the effects of inflation, demands for public safety recruitment and retention, demands for raising salaries, and having to compete with the private sector requires raising revenues.

The October 16 presentation goes into more detail about the use of the excess levy. The City claims in this presentation that “the additional property tax levy appears in the General Fund; however, the Fire Fund also benefits, as the amount of income taxes dedicated to the Fire Fund increases from \$5.5 million to \$6.8 million.”¹ The October 16 presentation then states that with the opening of a new fire

¹ The Department notes that the City’s proposed 2024 budget includes a Municipal Fire Fund (DLGF Fund Number 1108). The City’s 2023 budget included a Township Fire and EMS Fund (DLGF Fund Number 1111). A local unit’s local income tax (“LIT”) certified shares distribution is mostly derived from the proportion of the unit’s prior year property tax levy to the prior year property tax levies of all the other units in the county. See Ind. Code §§ 6-3.6-6-

station in 2026, 12 full-time firefighters are planned to be hired, with a starting overall cost of \$1,676,132 in 2026 (\$1,491,612 base salary, \$52,000 for turnout gear and new hire physicals, and \$132,520 for supplies & other charges). The October 16 presentation states that the City plans to “add funding for 4 full-time firefighter positions to the Fire Fund [both in 2024 and 2025] without filling those positions,” allowing the City to “phase in the new expenses over time” and “build a reserve that will support the department in the future.”

The October 16 presentation then states that the “main beneficiary of the levy appeal” will be the new fire station, though the levy will not cover all the expenses. This presentation then provides an estimated impact of the excess levy, as follows:

Property Tax Levy	\$1,400,000
Tax Cap Loss (15%)	(\$210,000)
Income Tax Change	\$350,000
Total Impact	\$1,540,000

The City therefore claims, based on this presentation, that the excess levy, after taking into account circuit breaker losses and adding in the increase to LIT certified shares resulting from the excess levy², would be applied to the costs needed for the new fire station. The October 16 presentation states that this amount would not cover the full annual costs of this station, but “it makes it much more possible to be operational by 2026.”

The Form 2 submitted by the City for the 2024 budget indicates that the City expects to apply \$5.3 million of LIT certified shares into the Municipal Fire Fund.

The Department inquired about the City’s statement that it intends to issue G.O. bonds if the excess levy is not approved. The City responded as follows:

“For the past several years, we’ve attempted to maintain a level tax rate. In years where the growth rate of our net assessed value would have pushed the rate down, we’ve opted to issue G.O. bonds to purchase equipment (like fire engines or police vehicles) or to do additional road paving projects. . . . [W]e would like to do additional paving projects with extra capital funds. If we get the levy appeal approved and do not issue additional G.O. bonds, then these paving projects would be pushed back.”

The Department also inquired about the opposition to the appeal, as the City Council resolution supporting the appeal showed a vote of 6-2. The City provided minutes of the October 16 council meeting. The minutes indicate that one councilmember opposed the excess levy appeal because of a concern the excess levy would not be applied to public safety and another councilmember opposed to the tax increase.

12 and 14. Therefore, all things being equal, an increase to a unit’s levy would result in an increase to the unit’s LIT certified shares distribution in the following year.

² The Department estimates an excess levy of \$1,431,406 will increase the City’s LIT certified shares distribution by approximately \$357,922. The City would also receive an additional \$100,687 from the distribution under Ind. Code § 6-3.6-6-3(a)(2).

The Form 4B submitted by the City indicates that, for its Municipal Fire Fund³ (the fund most likely to be used to fund the new station), the end of year operating balance is expected to increase from \$5,301,716 in 2023 to \$6,714,542 in 2024, an increase of \$1,412,826. This is based on a tax levy of \$4,800,000 for that fund, non-property tax revenues of \$7,246,137, and a proposed budget of \$10,633,311. For the General Fund, the end of year operating balance is expected increase from \$8,968,461 in 2023 to \$19,579,038 in 2024, an increase of \$10,610,577. This is based on a tax levy (including excess levy) of \$11,825,000 for that fund, non-property tax revenues of \$20,756,259, and a proposed budget of \$32,581,259. Notably, the Form 4B represents for each fund a property tax cap loss of \$0.

After a review of the petition, the Department, following Ind. Code §§ 6-1.1-18.5-12 and 13, and in consideration of all evidence provided, finds as follows:

DENIED:

The City's excess levy appeal is denied. The Department finds as legitimate justification the need to hire additional fire personnel in preparation for a new fire station. However, by the City's admission the new fire station would not become operational until 2026. Therefore, an excess levy for that purpose alone would be prematurely imposed in pay-2024 and pay-2025, and the City would receive a windfall in pay-2024 and pay-2025 through an excess levy that may not necessarily be used for the purpose represented in its appeal. This is especially in light of the City's statement that it intends to hold its General Fund tax rate constant. Finally, the City's Form 4B indicates increasing operating balances by the end of 2024.

Therefore, the Department denies the City's excess levy appeal. This should not be construed as foreclosing the capacity of the City to receive an excess levy for the new fire station in a later tax year, should the City qualify for an excess levy appeal under the applicable statutory requirements for that year.

This Order of the Department is subject to judicial review under Ind. Code § 6-1.1-18.5-15.

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WITNESS MY HAND AND SEAL of this Department on this 20 day of December, 2023.



Daniel Shackle, Commissioner

³ The Department acknowledges that, while the City represents the excess levy is going toward the General Fund, the General Fund can be used for any legal purpose, per State Board of Accounts guidelines.