CITY OF
BLOOMINGTON

TO: Members of the Common Council
FROM: Mayor John Hamilton
CC: Stephen Lucas, Council Administrator/Attorney
Beth Cate, Corporation Counsel, City of Bloomington
RE: Resolution 22-09 – Economic Development Income Tax
DATE: April 8, 2022

The Administration proposes an increase to the Monroe County Local Income Tax ("LIT") rate, which is governed by the provisions of Indiana Code 6-3.6-1, et seq., to promote sustainable and equitable economic development and associated essential city services. Resolution 22-09 proposes that Monroe County adopt an Economic Development Local Income Tax ("ED-LIT") allocated by population at a rate of 0.855% which brings the total rate to 2.2%.

A 0.855% increase in the LIT is projected to generate approximately $18 million in new annual revenue for the City of Bloomington. The Administration proposes this increase to invest appropriately in four key areas:

- **Public Safety - $4,500,000**
- **Climate Change Preparedness and Mitigation - $6,595,000**
- **Equity and Quality of Life for All - $3,900,000**
- **Essential City Services - $3,000,000**

See *Appendix B: LIT Details* for more detailed information about the proposed items to be funded within each area.

A memo outlining the reasons for enacting a LIT increase, containing a previous version of Appendix B, was shared with City Council on March 16 (https://bton.in/8UZMG). A copy of my remarks about the LIT from the City Council meeting on April 6 are attached.

The Administration proposes to create a separate fund to receive the increased LIT revenues from which annual appropriations would be made. This will strengthen and institutionalize full transparency, reporting, and accountability for the uses and impact of the increased revenues. In addition, the capital improvement plan that is required by state law to guide the expenditures will be reviewed regularly with the Council and the public.

It is important to note that Indiana is a relatively low-tax state. Among Indiana's 20 largest Class 2 cities, Bloomington is in the lowest quartile of both property and local income tax rates. Considering combined rates, we are nearly at the very bottom. We have the lowest LIT rate among our seven contiguous counties, and we sit in the bottom quartile statewide.

We are also low comparatively when it comes to government expenditures, revealing the capacity for responsible growth. Looking at per-capita annual spending from city general funds, Bloomington ranks 14th among Indiana's 20 largest class 2 cities. Our $624 per capita annual spending is 16% below the median of $742.

The appendices and Frequently Asked Questions attached to this memo offer further details. A dedicated City web page for new revenue has been publicly available at bloomington.in.gov/newrevenue since March 16.

LIT BACKGROUND & PROCESS

In Indiana, local communities are permitted to adopt a local income tax, or "LIT," in accordance with Indiana Code 6-3.6. Every county in Indiana has adopted a LIT, which is expressed as a percentage. A county's LIT percentage is withheld from wage earners' personal income based on the rate set in a taxpayer's county of residence. Monroe County's overall LIT rate is set at 1.345%, though LIT rates in Indiana currently range up to three percent (3.0%).

A county's overall local income tax rate comprises a series of other rates. Most of the rates that comprise the overall LIT rate are adopted by the Monroe County Local Income Tax Council ("LIT Council"). Monroe County's LIT Council comprises four member bodies: Bloomington's City Council, the Monroe County Council, the Ellettsville Town Council, and the Stinesville Town Council. LIT Council votes are allocated individually to members of each of these four bodies in proportion to the population. For 2022, the relative vote share for each member of each LIT Council body is summarized in the table below:

Unit of Government	Number LIT Council Votes per Member
Bloomington City Council (9 Members)	6.30/Council Member
Monroe County Council (7 Members)	5.49/Council Member
Ellettsville Town Council (5 Members)	.95/Council Member
Stinesville Town Council (3 Members)	.05/Council Member

A combination of individual votes from the members of these bodies totaling at least 50 total votes is required for the LIT Council to pass a measure affecting LIT, such as a LIT increase. The majority of the LIT Council's votes reside in the Bloomington City Council—56.66 votes, to be exact. This means that either 8 or 9 votes from Bloomington City Council members are sufficient on their own to pass a LIT increase. Fewer than 8 votes from the Bloomington City

Council would require positive votes from one or more members of the other three councils in the LIT Council.

In order to alter a local income tax rate, one of the members of the LIT Council must propose that the LIT Council adopt an ordinance. The member makes this proposal by adopting a resolution that proposes an ordinance. Resolution 22-09 is this type of resolution. The proposal and adoption process is set forth by state law and is a bit convoluted, but is familiar in Monroe County. Our LIT Council has adopted a resolution proposing a LIT ordinance every year since 2016 in order to adjust the relative portions and distributions of our LIT.

The effective date of an increase to a LIT rate depends on the date on which the LIT ordinance is adopted. A LIT ordinance increasing a tax rate adopted between November 1 and August 31 takes effect on October 1. A LIT ordinance increasing a tax rate adopted between September 1 and October 31 takes effect on January 1. Given the timing of this proposal, Resolution 22-09 would result in a new LIT rate taking effect on October 1, 2022.

Monroe County's overall LIT rate is 1.345%. Of the other 91 counties in Indiana, 69 have adopted a LIT higher than Monroe County. Our current LIT rate structure, broken down by type of rate, is summarized in the table below:

<table>
<tr><th colspan="2">Local Income Tax Type</th><th colspan="2">Existing Rate</th></tr>
<tr><td colspan="2">Property Tax Relief Rate (Indiana Code 6-3.6-5)</td><td colspan="2">0.0518%</td></tr>
<tr><td colspan="2">Total Expenditure Rate (Indiana Code 6-3.6-6)</td><td colspan="2">1.1982%</td></tr>
<tr><td rowspan="4">Components of Total Expenditure Rate</td><td>Public Safety (General)</td><td></td><td>0.1693%</td></tr>
<tr><td>Public Safety Answering Point</td><td></td><td>0.0807%</td></tr>
<tr><td>Economic Development</td><td></td><td>0.0000%</td></tr>
<tr><td>Certified Shares</td><td></td><td>0.9482%</td></tr>
<tr><td colspan="2">Special Purpose Rate (Juvenile Local Income Tax)
(Indiana Code § 6-3.6-7-16)</td><td colspan="2">0.095%</td></tr>
<tr><td colspan="2">Total:</td><td colspan="2">1.345%</td></tr>
</table>

Income tax revenue from the property tax relief rate may only be used by the Auditor to provide a property tax credit to reduce the property tax liability of taxpayers who own property in Monroe County.

The overall public safety local income tax rate, set at 0.25%, is broken down into two buckets—public safety answering point (PSAP) revenue and general public safety revenue. PSAP revenue may only be used by our Dispatch Department for expenses related to answering emergency calls and dispatching emergency responders. Each year, the LIT Council sets the PSAP rate based on the rate required to fund Dispatch's adopted budget. The remainder comprises the general public safety rate, and this portion flows to the public safety departments at the City of Bloomington, Monroe County, Ellettsville, and Stinesville.

The certified shares rate is more general. Revenue from certified shares flows to every local taxing unit in the County, with the exception of the two school corporations. Revenue in the form of certified shares is simply treated as additional revenue and may be used for any lawful purpose.

Lastly, Monroe County has imposed a special purpose rate for facilities that provide juvenile services. This rate is imposed exclusively by the County's fiscal body. The City had no role in adopting the rate and does not receive any revenue from the tax.

As seen in the table above, Monroe County has not yet imposed an Economic Development Local Income Tax (ED-LIT) as part of its LIT rate. Resolution 22-09 proposes for the first time that Monroe County adopt an ED-LIT, at a rate of 0.855%. This would bring the total LIT rate to 2.2%.

Like public safety local income tax revenue, ED-LIT revenue is distributed to four entities: the City, County, Ellettsville, and Stinesville. ED-LIT revenue may be used for a variety of development purposes, including capital projects, bond or lease payments related to economic development projects, operating expenses of governmental entities that plan or implement economic development projects, and any lawful purpose for which money in any other fund may be used.

ED-LIT revenue may be distributed to the four recipients in two different ways: (1) based on each entity's relative property tax levy or (2) based on each entity's relative population. Resolution 22-09 proposes to distribute ED-LIT revenue based on relative population rather than relative property tax levy. However, because of the way the effective dates are structured in the ED-LIT statute, the population-based distribution will not be in effect until January 1, 2023. Thus, from October 1, 2022, through December 31, 2022, ED-LIT revenue would be distributed based on the proportional property tax levy.

When the ED-LIT is distributed by relative population, the distribution among the members of the LIT Council would be as follows:

Member % of Population	Estimated Distribution
City of Bloomington – 58.3%	$18.00 million
Monroe County – 37.0%	$11.40 million

Town of Ellettsville – 4.6%	$1.43 million
Town of Stinesville – 0.1%	$44,000

For the last quarter of 2022, when the ED-LIT would be distributed by relative property tax levy, the distribution would be as follows:

Member % of Adjusted Certified Property Tax Levy	Estimated Distribution (Annualized)
Monroe County – 50.77%	$15.67 million
City of Bloomington – 46.62%	$14.39 million
Town of Ellettsville – 2.6%	$801,600
Town of Stinesville – .01%	$4,400

As taxes are collected based on population, the most equitable allocation of the funds collected is also by population. The City favors population-based distribution because it allows for a lower LIT increase overall while producing the revenue required to fund critical public safety needs and essential City services and to achieve sustainable and equitable growth. A population-based distribution also provides significantly more funds for the towns while preserving substantial funding for the county.

Entities receiving ED-LIT revenue must adopt a capital improvement plan, and the plan must incorporate projects, the cost of which is at least 75% of the ED-LIT revenue the entity expects to receive. The capital improvement plan must be in place before the City receives any ED-LIT revenue, but it need not be adopted at the same time that Resolution 22-09 is considered by the LIT Council. The City's capital improvement plan will incorporate the items in Appendix B and reflect Council and public input during the hearings on the Resolution. As noted above, the plan will be reviewed regularly with Council and the public (including as part of the annual budget process).

A capital improvement plan for ED-LIT typically covers multiple years–and must cover at least two years–and reflects anticipated funding for longer-term and ongoing activities to be supported by ED-LIT revenue. At the same time, the LIT increase proposed by Resolution 22-09 may be adjusted or eliminated in the future with sufficient votes from the LIT Council. The only funding commitments paid for by ED-LIT that may be made irrevocable for a necessary duration are bond debt service and lease payments.

The City appreciates the Council's careful consideration of Ordinance 22-09, and we are happy to address any additional questions the Council may have regarding Resolution 22-09.

CITY OF BLOOMINGTON

MAYOR HAMILTON'S LOCAL INCOME TAX REMARKS

at the City Council Meeting on April 6, 2022

Bloomington is at a pivot point. You've all heard me describe pressing needs confronting us—several times. I'll begin tonight with a different voice.

Mayor Tomi Allison made the following comments in a 1984 memo to City Council, which first established the Local Option Income Tax: “No government official wants to raise taxes which are unnecessary. But our first obligation is to provide basic services to our citizens. We must maintain the high quality of our police and fire services. We must maintain our streets, curbs, sidewalks, our equipment inventory, and our city facilities.” This 1984 income tax of 0.5% was raised another 0.5% five years later, in a 1989 Council action, bringing the basic LIT to 1.0% some 30 years ago, where it stayed until 2016 when the Local Income Tax Council raised a 0.25% Public Safety LIT to support critical investments in that sector.

For three decades, together, we have provided those essential services. But in order to continue to do so, with several revenue sources declining, city services and facilities expanding, pressures on our employees, and our expenses increasing, we must have additional revenue to continue the excellence we have achieved and our residents expect.

In addition, beyond those essential services, I believe we owe current and future residents a similar obligation to invest in the future, to address challenges we see today and expect tomorrow. In particular, climate, and inclusion, to ensure we are addressing this changing planet and community responsibly and in ways that allow ALL our residents to thrive, future and present, and from whatever walk of life.

That's what tonight and the next two weeks of consideration are about—meeting basic needs and meeting fundamental obligations. Tonight I'll briefly share where we are and our recent progress together over the past few years. Then we will review the process that has led us this LIT proposal. And the next steps. I'll be happy to address questions during the presentation or thereafter, continuing the extensive dialogue we have engaged in over the past weeks and months.

BACKGROUND

Just to set the table: Since 2016, together, we have made great progress in our City in providing excellent essential services and improving opportunities for our residents.

Through your support of the Public Safety LIT in 2016, we have been able to equip and update our dispatch, police, and fire departments. Today, we are the only city in Indiana with a nationally accredited police force and a top-ranked fire department (ISO 1). With declining crime rates and an unprecedented fifth year in a row with zero fire fatalities. *(See Figures A.1 and A.2).*

Through your support for affordable housing through the Housing Development Fund and zoning incentives, we have expanded our investments in affordable housing dramatically, resulting in 1,121 units of affordable housing over the past six years *(See Figure A.3).*

Through your support for the integrated Tax Increment Finance (TIF) district and the Redevelopment Commission, we have been able to create Switchyard Park, the Trades District, Hopewell, and support other key local infrastructure investments. Our jobs and wage rates are increasing *(See Figure A.4)*. And we have seen unprecedented private investment and public infrastructure progress, over $3 billion in recent years.

Through your support for our Parks department, through the years and through the Bicentennial, we have been able to earn two national gold medals and expand a department to the envy of most cities our size. Including, of course, our largest new parks project ever, Switchyard Park *(See Figure A.5)*.

Through your support for three affiliated entities, we have seen strong growth in impact and quality at each: incremental rate adjustments at our Utilities department have accelerated water main replacements and improved the size and quality of our wastewater plants, as well as protecting the quality of our water and Lake Monroe *(See Figures A.6, A.7, and A.8).*

Bloomington Transit has attracted substantial federal support to replace buses, buying 28 new buses over the past six years, compared with only 10 in the previous six years *(See Figure A.9).*

And the Bloomington Housing Authority has dramatically accelerated the upgrades of more than 200 public housing units, doing in about five years what was previously scheduled to take more than 25 years *(See Figure A.10)*.

Through your support for our solar contract and expanding our investments in sustainability, we have begun implementing our first-ever Climate Action Plan.

Overall, through the Council's consistent support for fiscal stewardship throughout all the years, we have been able to advance our community in these many ways, responsibly and proactively. The most recent investments of Recover Forward are one more example, allowing us during a pandemic and great recession to keep investing in our nonprofits and our people, our employers, and our basic services to weather the storms and do our job to help people thrive.

LOOKING FORWARD

Today is another step in being those good stewards and meeting those challenges and opportunities. Our fiscal condition at present is good, but not without future revenue.

Two years ago, in January 2020, we previewed critical investments needed and discussed a potential LIT. Then COVID hit. In 2021, we considered a LIT again amid a very challenging pandemic and recession. We dedicated local reserves and then federal money to Recover Forward. The federal support from the American Rescue Plan of last year was absolutely critical to sustain our good efforts. But as you know, that was just one-time support. Finally, during deliberations for the 2022 budget, as a Council, you indicated support for more public safety investments and more regular infrastructure investments.

Three weeks ago, our Administration shared a detailed outline of categories and programs for the LIT and the bonds. We specified four key areas for LIT investments. First, critical public safety investments, including staffing costs for both sworn and non-sworn personnel and major facility costs that are not covered in the ten-year PS-LIT capital plan.

Second, investments are needed to sustain other essential city services in the face of pressures on workforce costs, increasing operating and supply costs, growing general maintenance and replacement needs, as well as revenue reductions, in particular, affecting information technology needs, including cybersecurity.

Third, investments to prepare for and mitigate climate change and its effects locally. This includes major local investments in improved transit services, which should also help leverage significant federal funding and direct investments to implement the ambitious city-wide Climate Action Plan.

And fourth, we outlined key LIT investments needed to assure Bloomington is a place of diversity, equity, and inclusion, where all can thrive, including significant investments in affordable housing – both ownership and rental – and help people access jobs and careers, including in trades, for example, as infrastructure spending in coming years increases. We also establish an economic equity fund to help low-income working residents and ongoing investments to support our vital arts and local food sectors.

All of this reflects our community at a pivot point. How will we come out of the pandemic and recession? As President Biden has urged, will we Build Back Better? Will we keep up Bloomington's momentum?

Since sharing that outline and all of those details, we have been listening. To you directly, in a public Council work session, and through many, many individual conversations. We have heard from organizations and from individual public members, including through an online poll active for weeks, with scores of people responding. And truly, since January 2020, countless conversations and communications.

And of course, it's worth noting that the proposal reflects extensive public input incorporated in documents like the Climate Action Plan itself and three city-wide scientific surveys, for example, reflecting the public's opinion that the City should seriously address affordable housing and our Comprehensive Plan and Transportation Plan both updated through long public processes in the past five years

Specifically, since mid-March, in reaction to our proposals, we heard feedback including:

- A 1% rate rise seems too much; lower if possible. Others strongly support a full 1%
- Some wanted even greater investment in basic city services beyond public safety
- Some wanted to reduce new investments in transit; others said they are essential and to increase
- Some wanted to eliminate or reduce jobs money; others view it as important
- Some wanted more, and some wanted less in the economic equity fund
- Several supported housing, some especially for homeownership
- Some wanted more Climate Action Plan direct investment. Some wanted less.
- Some expressed interest in knowing what leverage the LIT investments offered
- Some wanted assurance of transparency in explicitly tracking LIT expenditures over time
- The public voted allocations among all four categories, within a 20-30% range for each one.

We took all that feedback in, and before we share revisions to the proposal, I want to remind the Council of our local capacity to invest. As we have discussed, our county LIT is low now. Lowest among the seven contiguous counties *(See Figure A.11)*. Low statewide. We haven't raised the basic LIT for 30 years. When you look at our overall tax rate – income and property – we are among the lowest of Indiana's large cities *(See Figure A.12).* We also have modest spending levels when we compare ourselves to those cities *(See Figure A.13)*

THE PROPOSAL

Again based on feedback, and as always focusing on meeting needs regarding the LIT, we will advance for your review a proposal based on the March 17 outline, adjusted as follows:

- A 0.855% increase in the LIT – lower than the full 1% that some have advocated but sufficient to meet our community's needs. This incorporates the Economic Development LIT proposal allocated by population.
- An increase in essential city services, of $500k allocated to personnel, and major expenses increases
- An increase in Climate Action Plan investments of $250k
- An increase of $250k for the economic equity fund to help address any negative impacts

Also, based on your feedback, we will create a new fund into which the ED LIT revenue will go. It will be appropriated annually through the budget process and the program budgets, tracking through to each department and program.

These proposals will result in a local LIT rate of 2.2%, which will put us exactly in the middle of our immediate neighbor counties – three higher and three lower *(See Figure A.14)*. Statewide it will put us in the second quartile of LIT rates. And by the way, it's important to note that the state recently adopted a reduction in the state income tax, planning a 0.33% point reduction over the coming years. That would bring the effective rate we are adding down nearly to 0.5%.

A 0.855% increase in the LIT, as proposed here, is projected to generate approximately $18 million in new annual revenue for the City of Bloomington. Other governmental units would also receive additional projected annual revenue: specifically, the County would receive $11.4 million, Ellettsville $1.4 million, and the town of Stinesville about $44 thousand annually.

These new funds will change our community's trajectory. They will allow us to address critical needs and meet fundamental obligations to our residents, present and future. As Mayor Allison said 38 years ago, we meet our "first obligation" of basic services, and we also advance our community into a much brighter future, more sustainable and more equitable.

This proposal will soon be in your hands. I know very well that all nine of you, like me, love this City and work diligently to advance our future. I also know that the ten of us may have different assessments of how best precisely to do that. I believe we share a great deal in values and in goals. Indeed we share a great deal in approaches and priorities. But we are not all of one mind. That's a democracy. I have done my best to provide a proposal that reflects the range of thinking on this Council and this community. On how best to move forward. It's up to us now to work together to find that common ground, reflecting the fact that none of us will find a final result matching exactly what we might want personally. Still, we can be confident that the solution will be a great step forward for all of Bloomington.

Local Income Tax Memo

Appendix A

CITY OF
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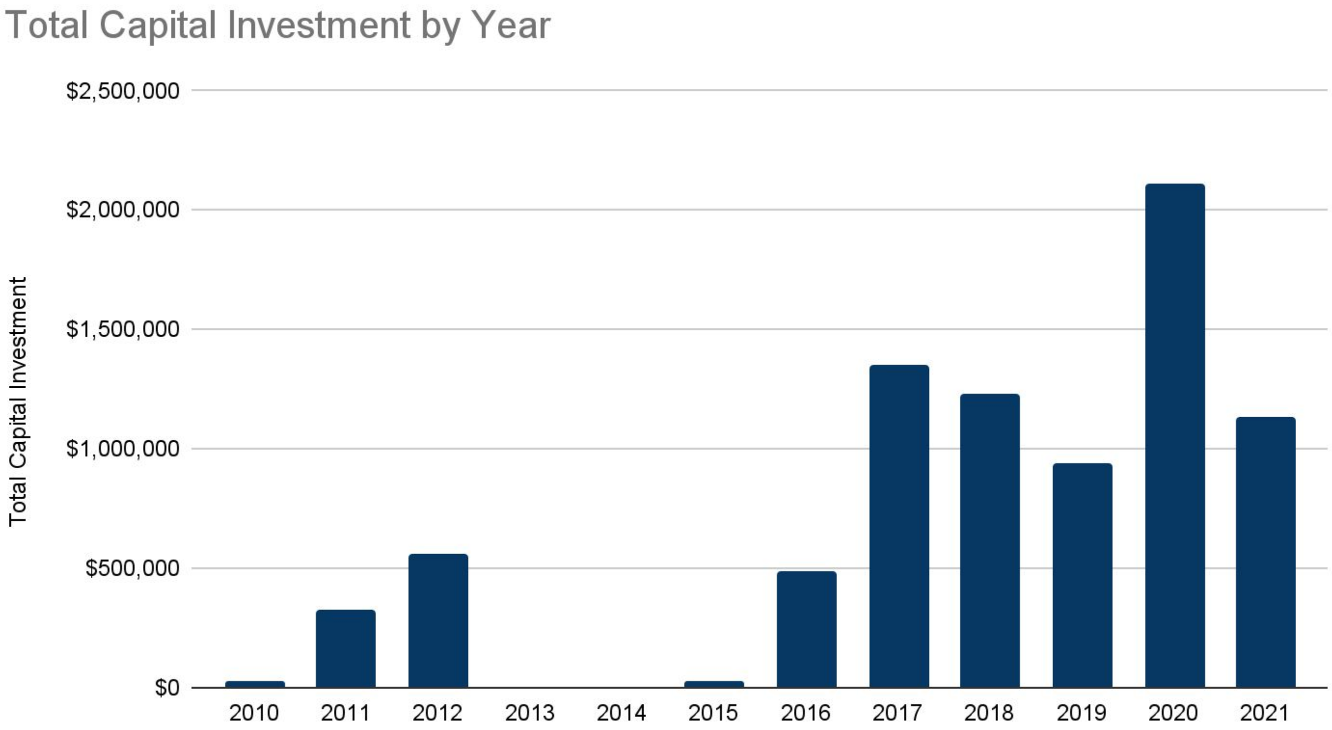
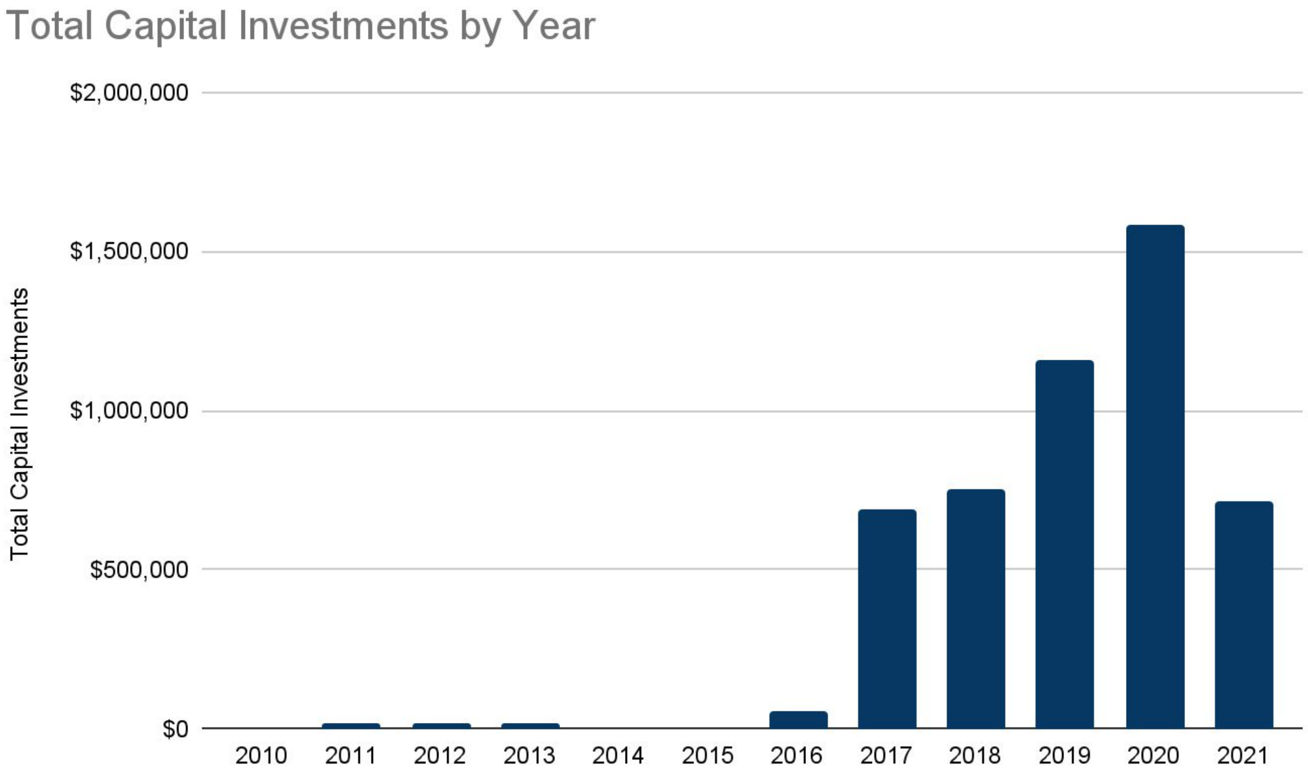
BLOOMINGTON FIRE DEPARTMENT

Figure A.1



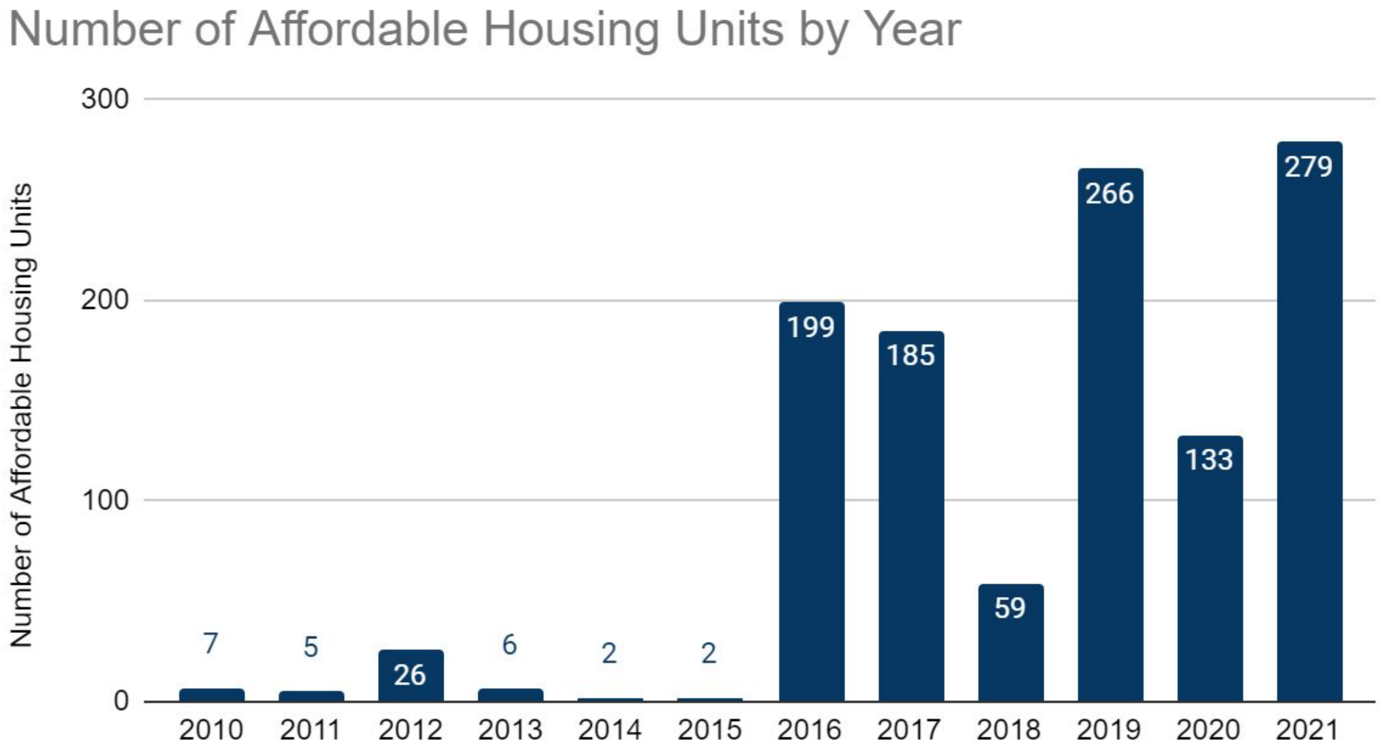
BLOOMINGTON POLICE DEPARTMENT

Figure A.2



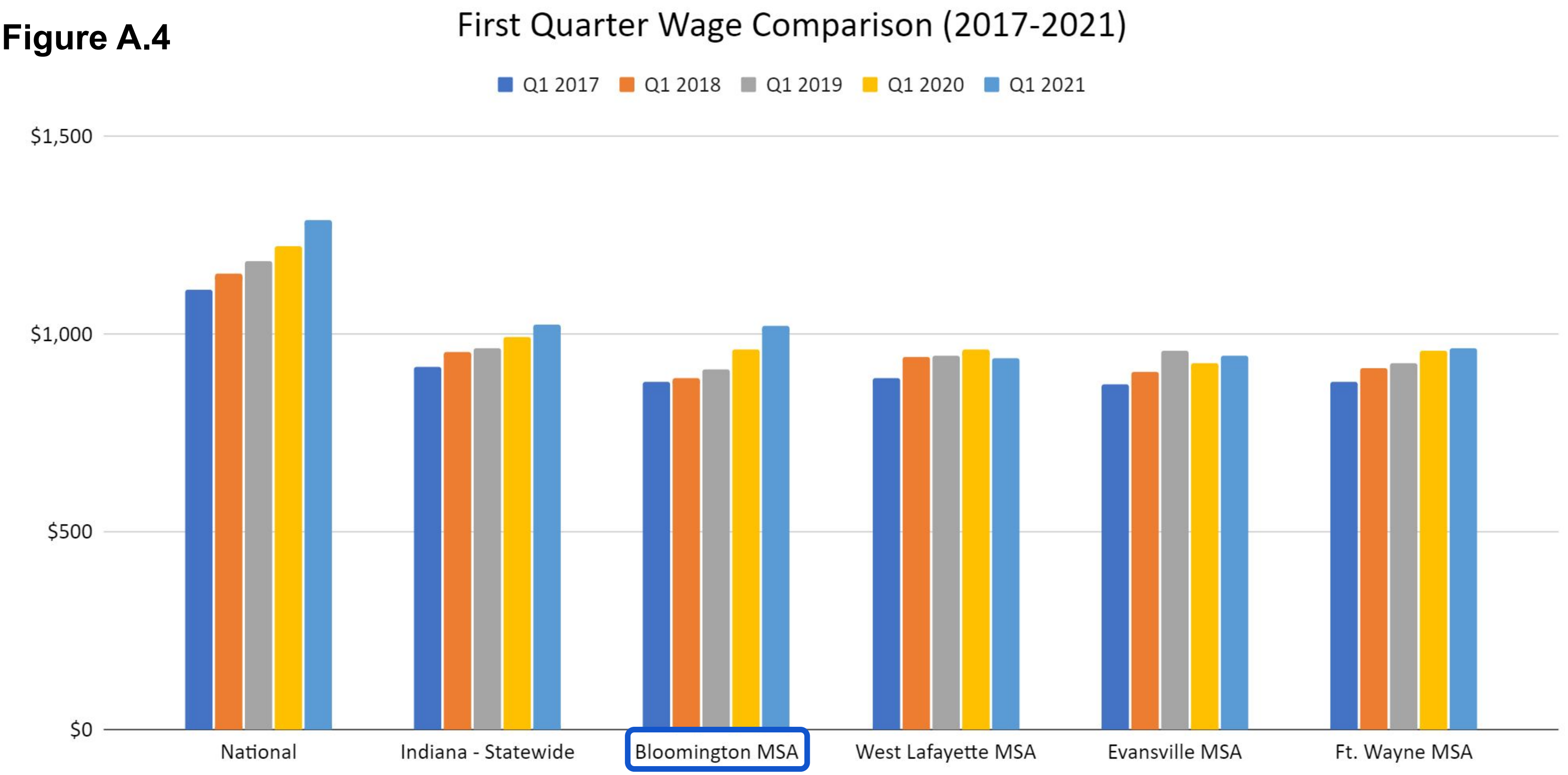
AFFORDABLE HOUSING

Figure A.3



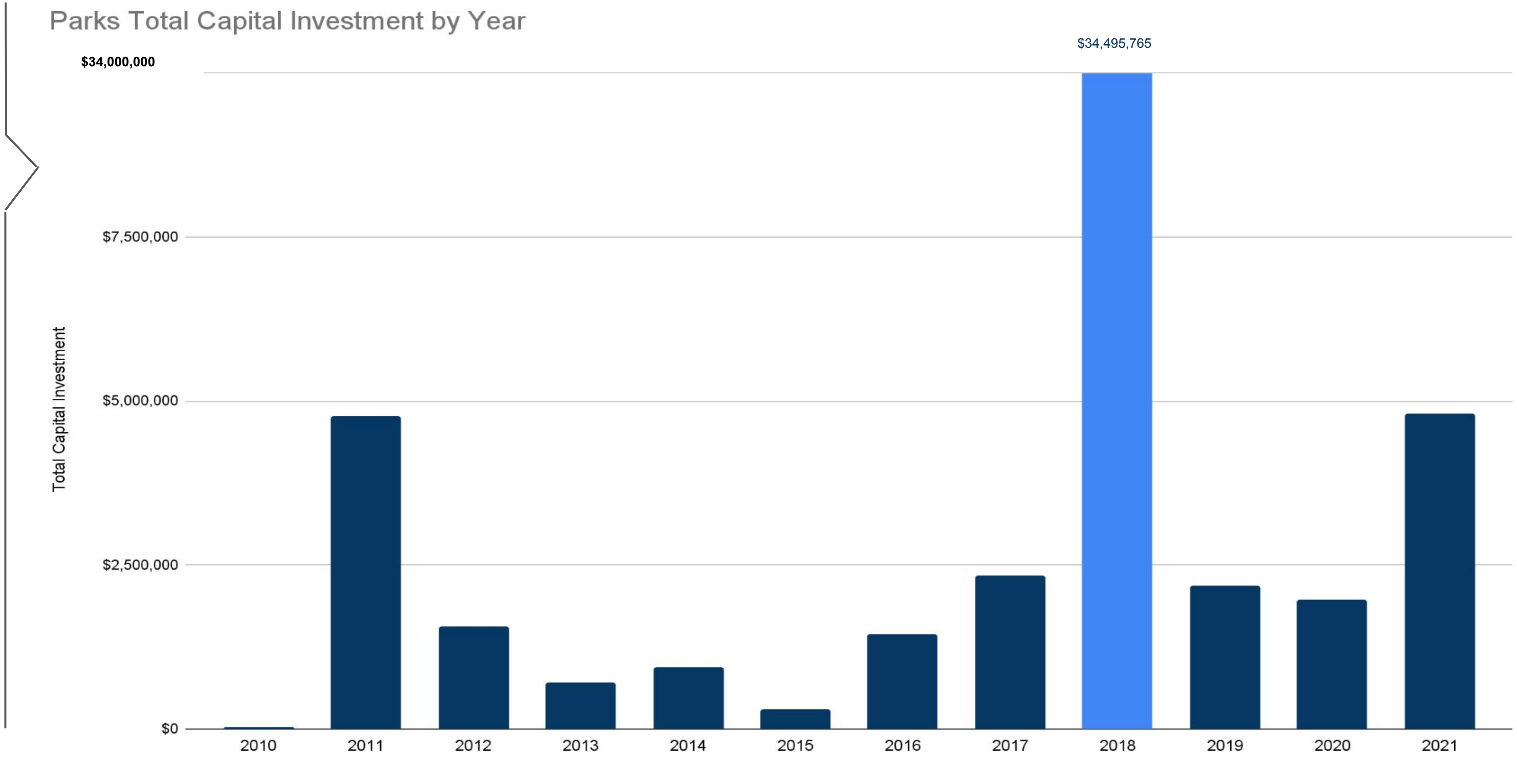
JOBS

Figure A.4



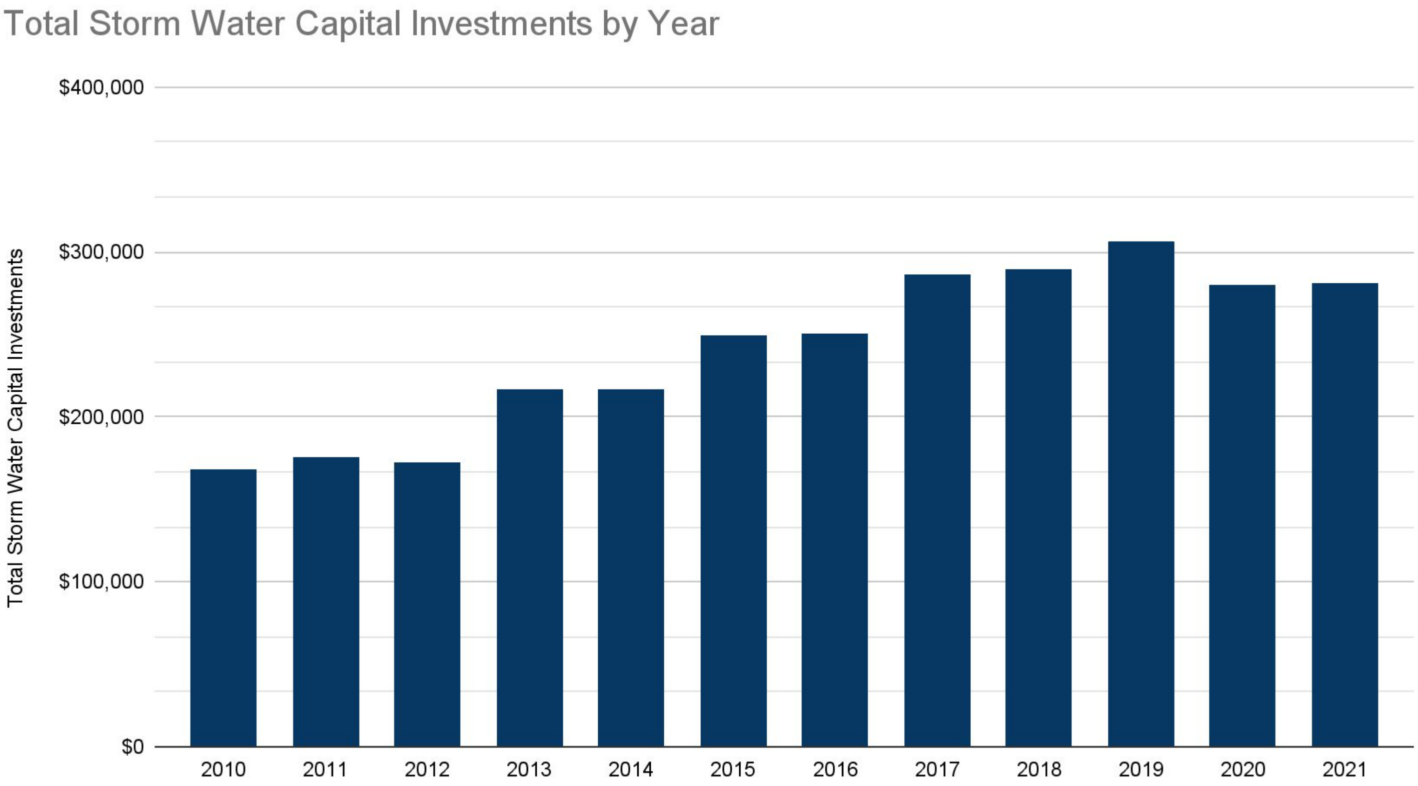
PARKS AND RECREATION DEPARTMENT

Figure A.5



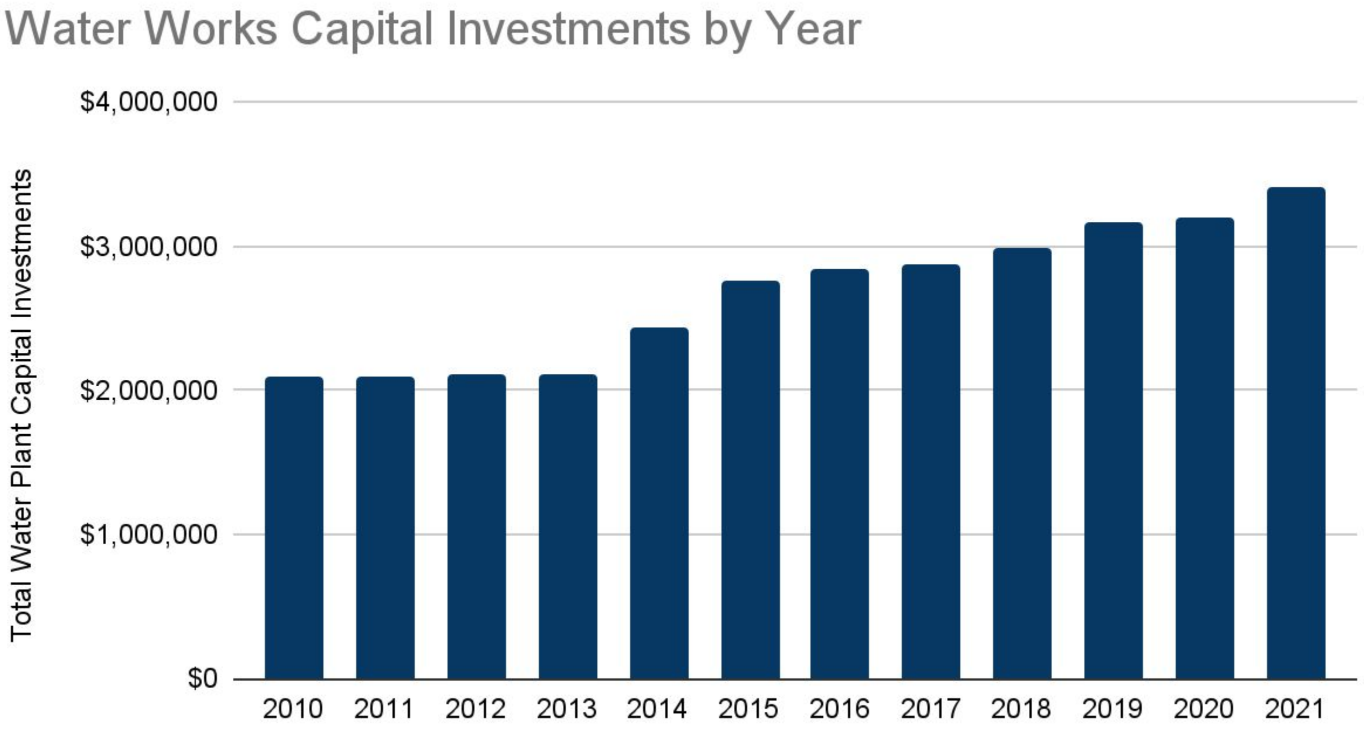
STORMWATER UTILITY CAPITAL INVESTMENTS

Figure A.6



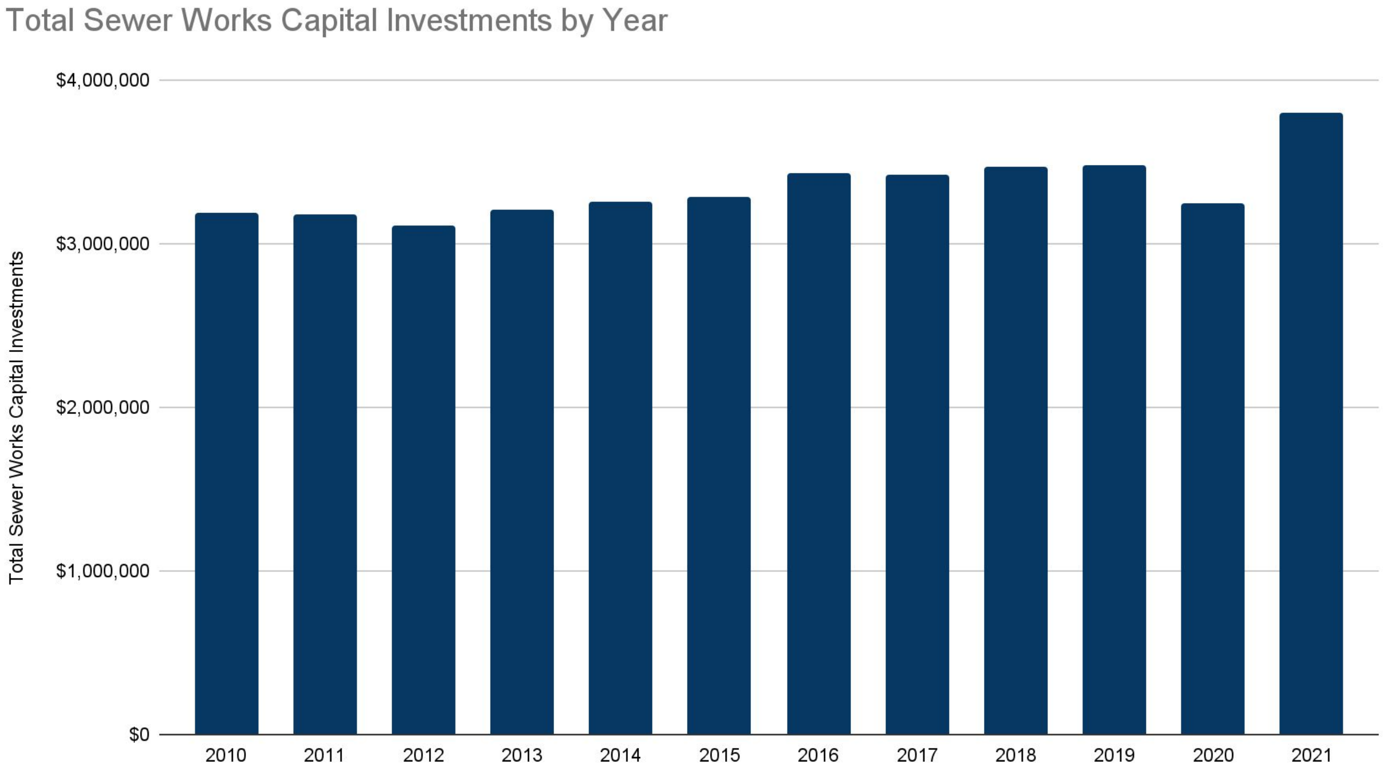
WATER WORKS CAPITAL INVESTMENTS

Figure A.7



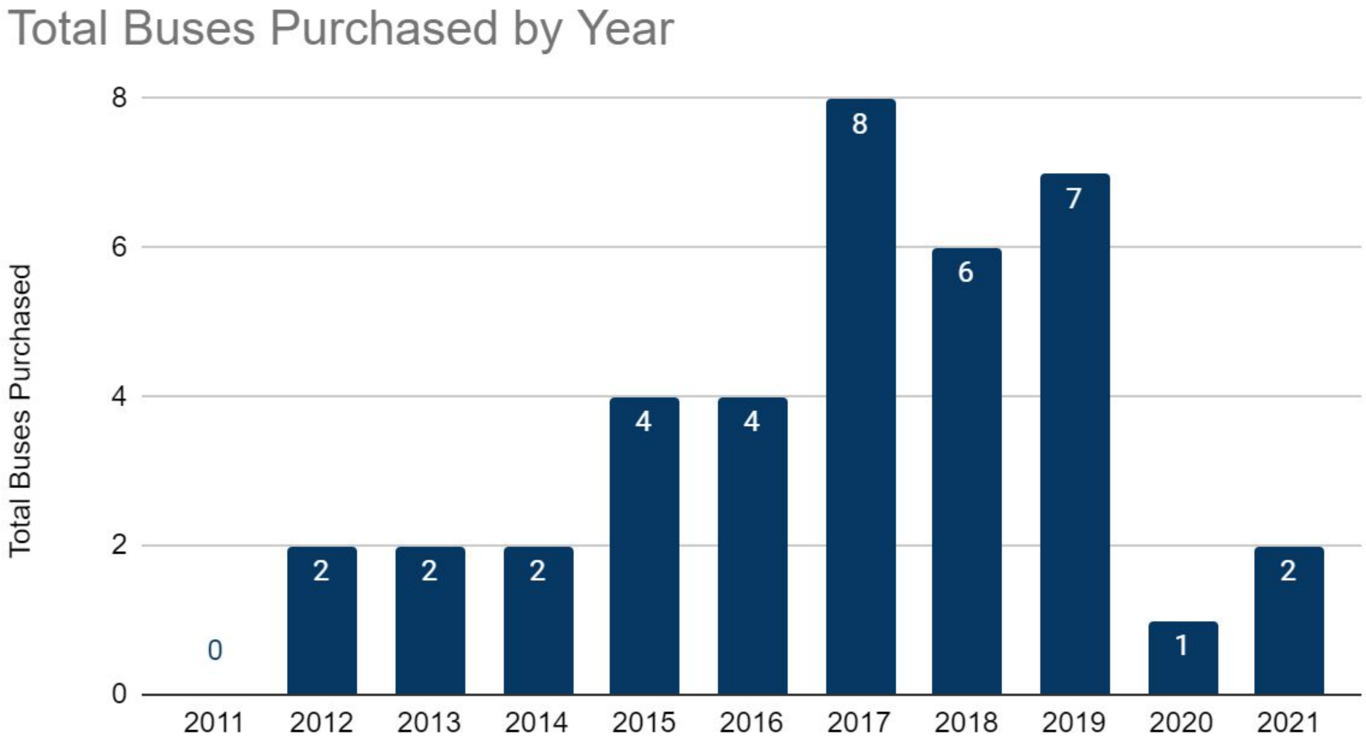
SEWER WORKS CAPITAL INVESTMENTS

Figure A.8



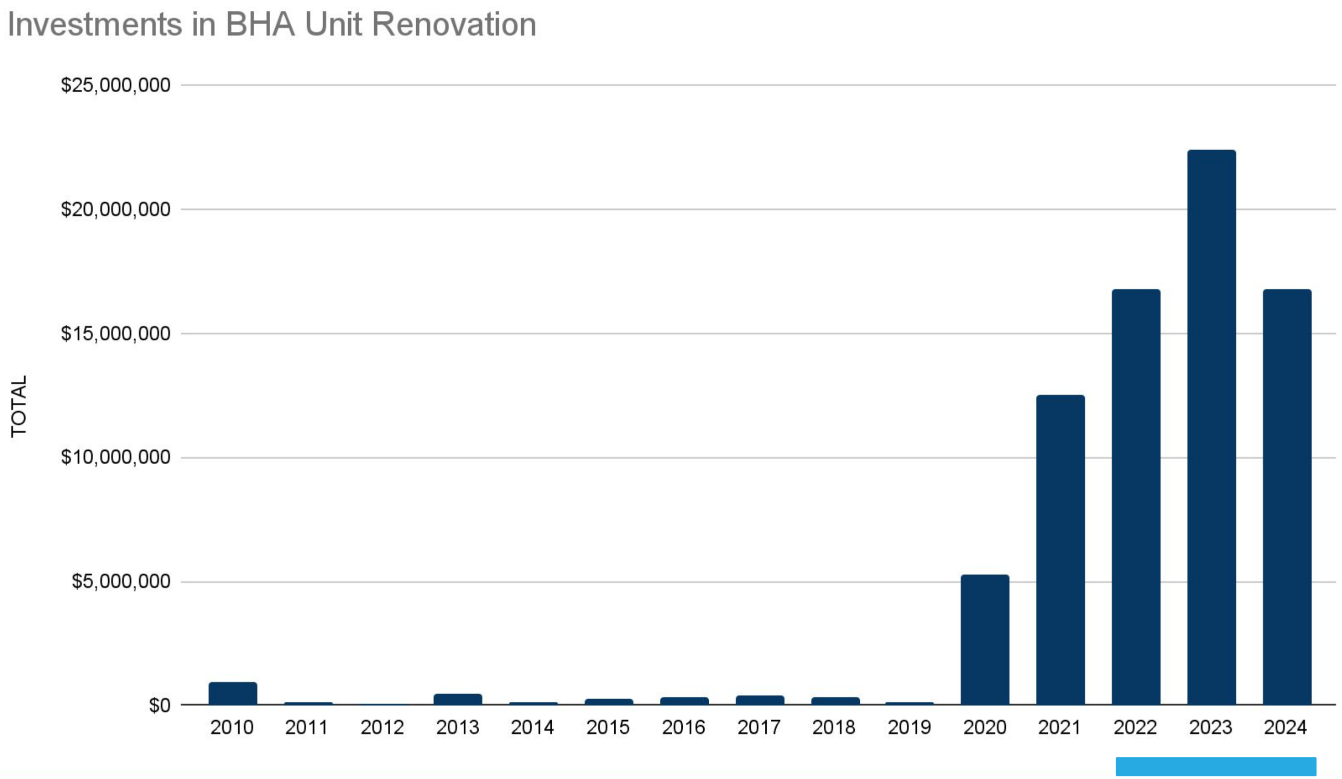
BLOOMINGTON TRANSIT

Figure A.9



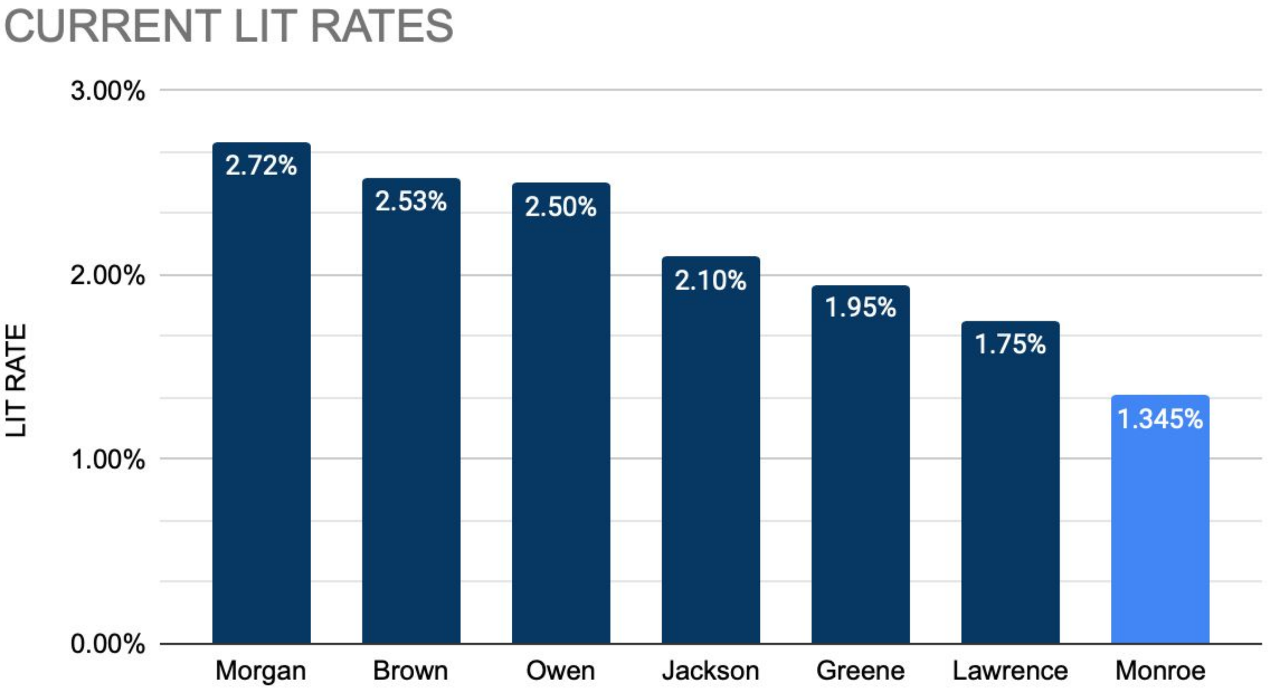
BLOOMINGTON HOUSING AUTHORITY

Figure A.10



CURRENT LIT FOR CONTIGUOUS COUNTIES

Figure A.11

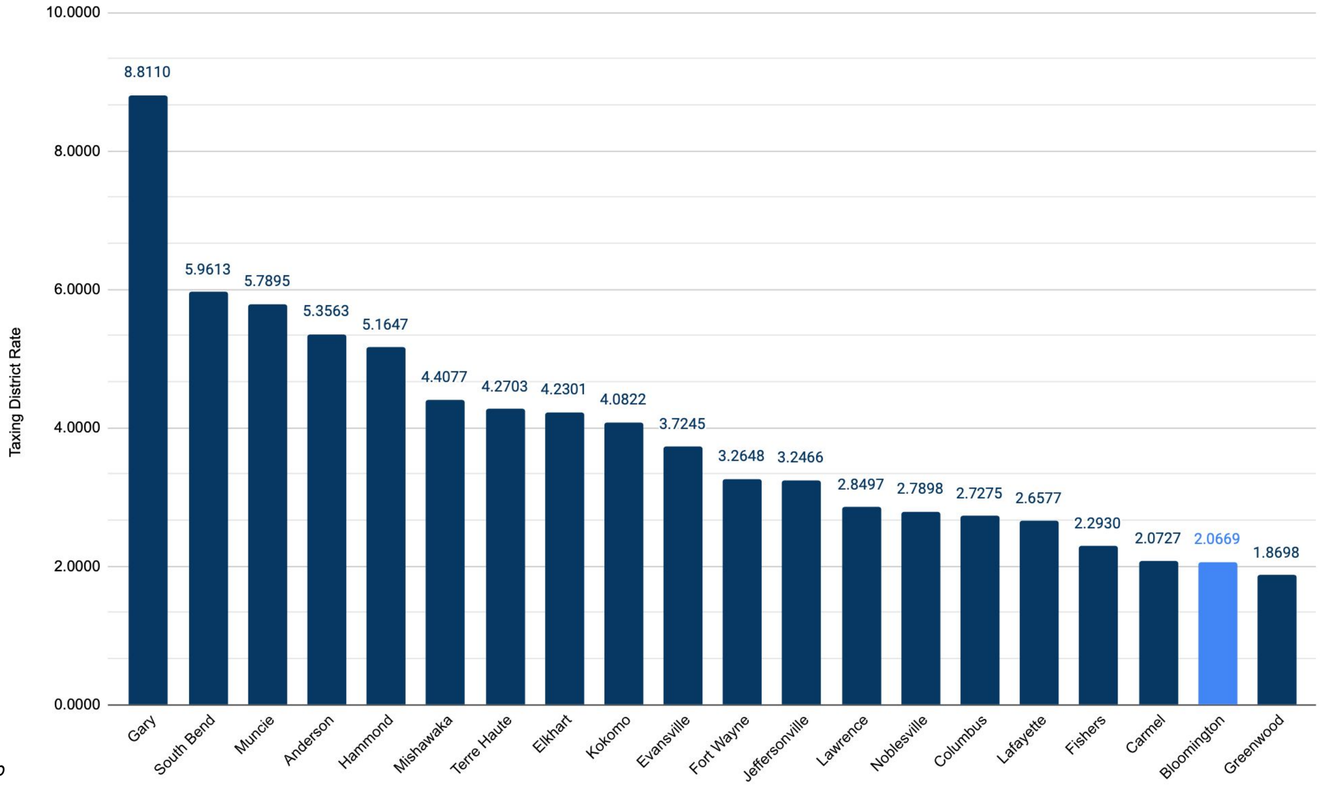


Source: Indiana Department of Revenue

CURRENT COMBINED PROPERTY & LOCAL INCOME TAX

BLOOMINGTON'S COMBINED TAX RATE RELATIVE TO THE 20 LARGEST CLASS 2 CITIES IN INDIANA.

Figure A.12

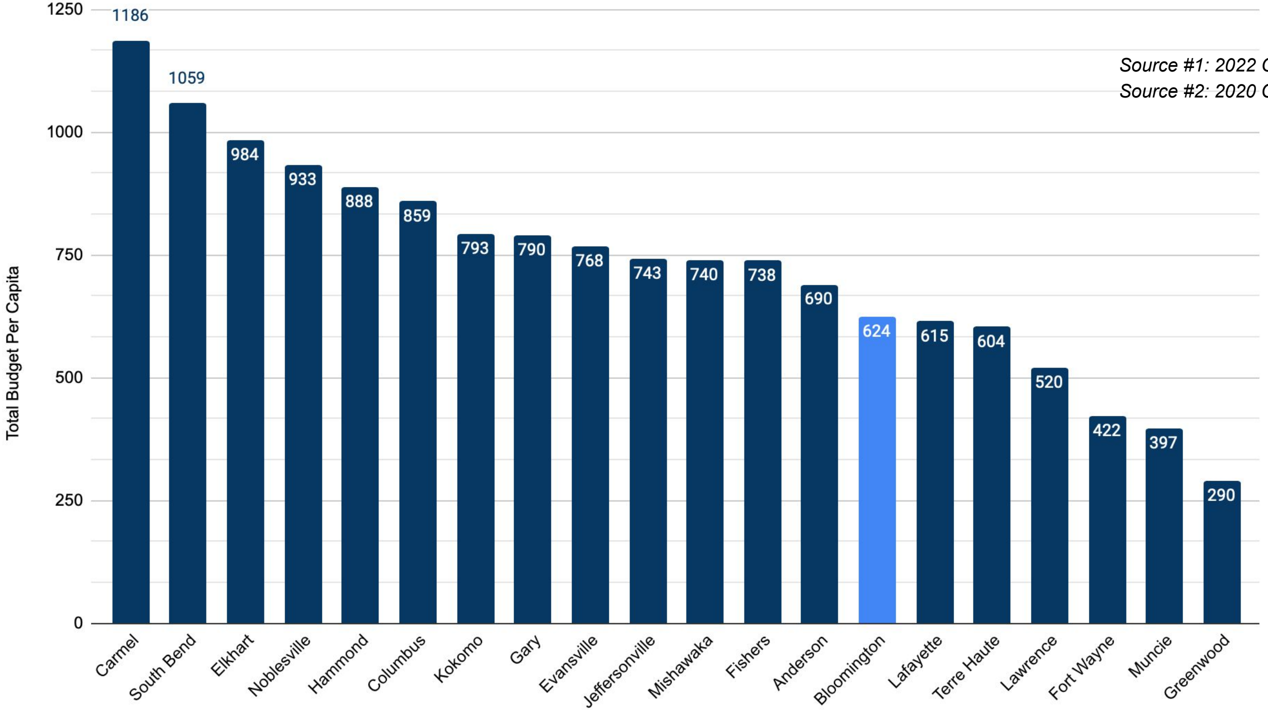


Source: Reedy Financial Group

OVERALL DEBT PER CAPITA

20 LARGEST CITIES IN INDIANA, RANKED BY PER-CAPITA DEBT FOR ALL DEBTS.

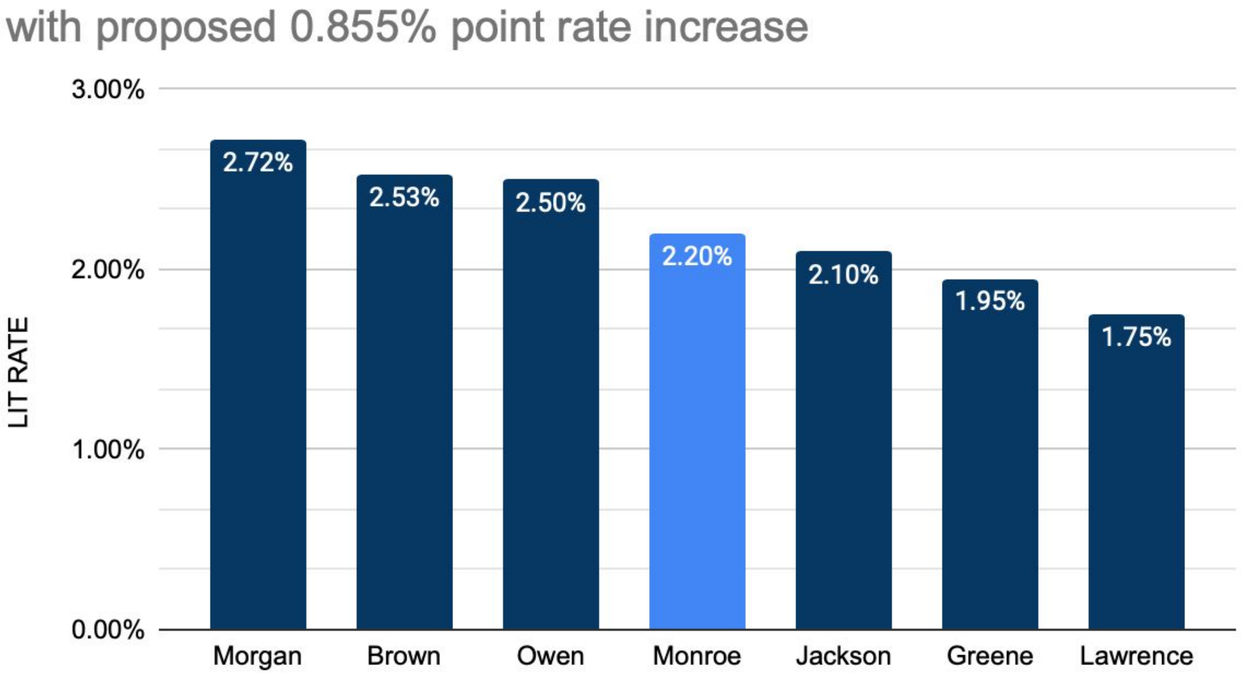
Figure A.13



Source #1: 2022 General Fund Budgets in Gateway
Source #2: 2020 Census Population Data

PROPOSED LIT COMPARED TO CONTIGUOUS COUNTIES

Figure A.14



Item	Annual Cost	Description
PUBLIC SAFETY	**$4,500,000**	
Police - Sworn Officer Salaries	$1,500,000	Fund the costs associated with the contingent Fraternal Order of Police (FOP) contract
Police - Nonsworn officer salaries and public safety programs	$250,000	Expand the roles and increase the number of Police Social Workers and Community Service Specialists to respond to some non-emergency calls for service and those calls that do not require a law enforcement response. Provide ongoing support for the STRIDE center.
Fire - public safety programs	$250,000	Tailor response options for 911 calls, health and wellness checks, etc. to divert more 911 calls to nonsworn personnel. Explore combining police/fire nonsworn.
Police & Fire headquarters	$1,000,000	Consolidate public safety headquarter operations to replace current damaged and inadequate facilities and to benefit from effeciencies of scale.
Fire - new/upgraded stations (4, including new downtown)	$1,500,000	Replace or repair damaged and aging facilities with new or upgraded facilites, in order to attract and retain employees and meet safety standards
CLIMATE CHANGE PREPAREDNESS AND MITIGATION	**$6,595,000**	
Add Bloomington Transit (BT) Sunday service	$300,000	Achieve 7-day service for greater consistency and reliability in an effort to boost ridership and reduce single occupancy vehicle use
Establish East-West Express Transit line	$2,100,000	Major new service providing 15 minute frequency across a priority East/West corridor. This route addition would boost attractiveness and convenience for riders and reduce automobile use
Enhance In-house BT Para-Transit & Microtransit	$1,400,000	Increase access/improve equity for people who can't ride fixed-route BT, qualify for paratransit, require special accomodations while enhancing convenience. and expandthose services. City-wide service expansion.
Enhance BT weekday service to maximum 30-minute frequency	$820,000	Improve convenience for all riders, boost ridership, reduce automobile use
Establish BT Park & Ride pilot program	$125,000	Focus on workforce partners to develop pilot program in collaboration with the Transportation Demand Management program; explore a potential "Park and Ride" program for special event traffic management
Subsidize BT ridership	$100,000	Improve access to public transportation with a focus on workforce and low-income riders

Item	Annual Cost	Description
Climate Action Plan (CAP) implementation	$1,750,000	Multiple efforts toward climate change prevention and preparedness. See Proposed Climate Action Plan Investments in "New Revenue FAQs" for more detail
EQUITY AND QUALITY OF LIFE FOR ALL	**$3,900,000**	
Housing funding, for ownership, rental, Housing Security	$2,000,000	Improved access to housing equity through funding assistance for the Housing Security Group/homeless; low/mod income renters; low/mod homeowners; support missing housing types
Workforce and economic development	$500,000	Funding for workforce development initiatives, including workforce re-entry, re-skilling and up-skilling, and entrepreneurship training, as well as operations and infrastructure funding for the Trades District Technology Center.
Economic equity fund	$1,000,000	Direct support of low income working residents / families - possible Individual Development Accounts to match savings; focused on direct impact, possibly thru SSCAP, MCUM, Trustees, others
Public art and arts development	$200,000	Funding for maintenance of existing arts spaces, execution of the recommendations of the City's Arts Feasibility Study and Public Arts Master Plan, and support for arts organizations.
Local food access and nutrition security	$200,000	Funding to improve food access and nutrition insecurity. Funding support will focus on partnerships with food service providers to address gaps in local food access for low income and food insecure residents.
ESSENTIAL CITY SERVICES	**$3,000,000**	
Personnel	$1,250,000	Offer incentives to attract and retain talented City employees, such as pay adjustments, hiring bonuses, creation of new positions, tuition reimbursement, relocation allowance, longevity bonuses, and/or housing assistance.
Maintenance/Replacement of Assets	$500,000	Maintain aging facilities and other physical assets and replace when required
Increases to major categories of expenses	$750,000	Meet obligations for city property & liability Insurance, materials & supplies, repair & maintenance.
Lost Revenue Replacement	$500,000	Replace shortfall resulting from decreased Cable Franchise Fees (cable fees lost to streaming) to fund essential IT infrastructure replacements, cybersecurity, and CATS
TOTAL	**$17,995,000**	

CITY OF BLOOMINGTON

New Revenue: Frequently Asked Questions

As of April 8, 2022. As details are developed, this document will be updated.

About the Local Income Tax

What is a Local Income Tax (LIT)?

The Local Income Tax (or LIT) is a tax on income, paid by individuals. It is a proportionate tax on state adjusted gross income, assessed at a flat rate, meaning that the more income you earn, the more tax you pay. The LIT rate is set and imposed countywide.

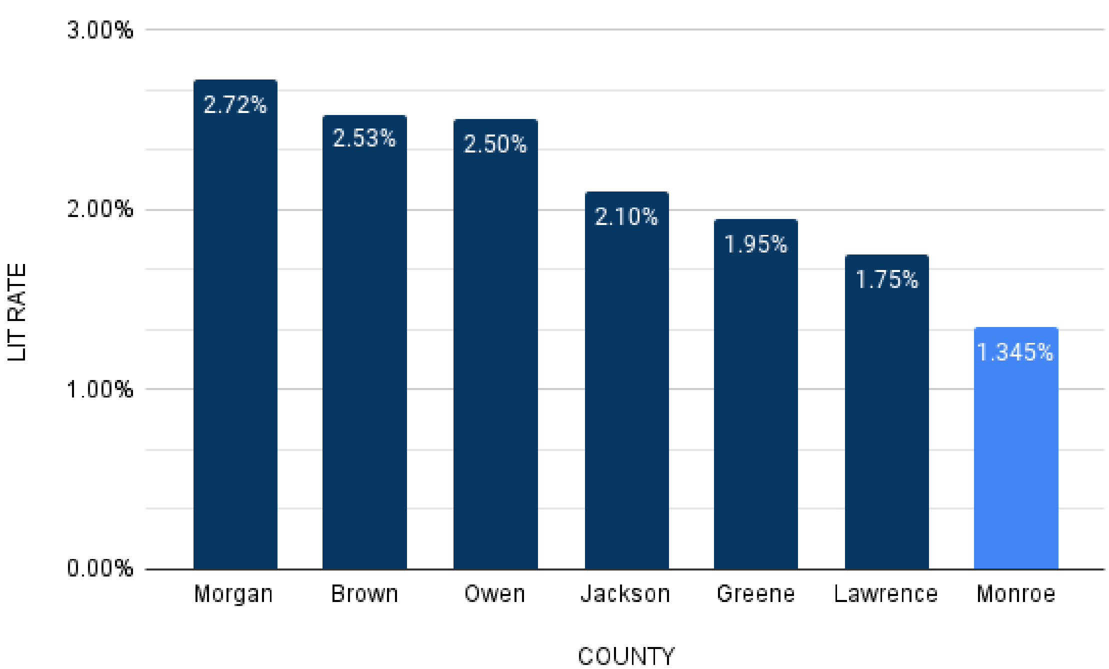
What is our current Local Income Tax rate?

The LIT rate for Monroe County is currently 1.345% of adjusted gross personal income for Monroe County residents.

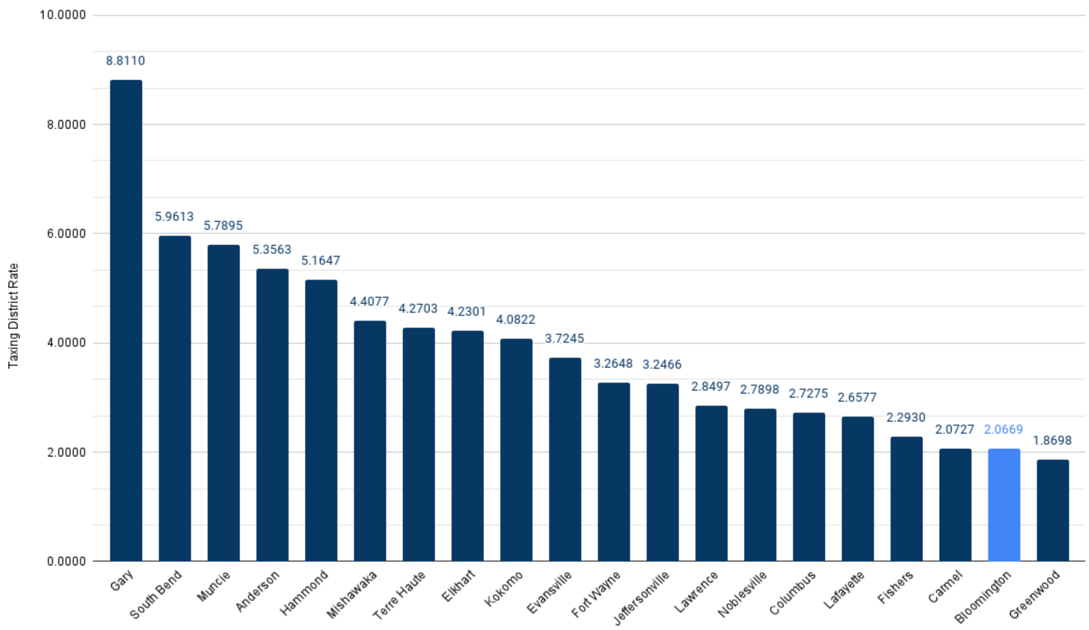
How does our tax rate compare to other communities?

Historically, Monroe County has among the lowest tax rates in the region, including the lowest local income tax rate of our seven contiguous counties. Monroe County's rate ranks 23rd from the lowest among the 92 counties in the state - in the bottom quartile.

Source: Indiana Department of Revenue



Note that among Indiana's 20 largest class-2 cities (excluding the unique combined city/county of Indianapolis/Marion County), Bloomington is a very low-tax city. Specifically, we are in the lowest quartile of those cities both for property tax rates and local income tax rates.



Source: Reedy Financial Group

What is the proposed increase percentage for the Local Income Tax (LIT)?
The proposed rate increase is 0.855%, bringing the total tax to 2.20% of state adjusted gross personal income.

What is an Economic Development LIT?
The Economic Development Income Tax (ED LIT) was authorized by the Indiana General Assembly in 1987 to provide funding for local economic development projects that increase local employment opportunities and/or attract or retain businesses, and relevant operational and administrative expenses.

Are LIT funds distributed based on population or assessed value?
State law establishes different distribution metrics for different types of local income taxes. ED LIT funds can be allocated based on two different metrics, at the option of the Local Income Tax Council: (1) proportional property tax levy, plus, for Monroe County a welfare allocation amount, or (2) population. The City has proposed using the simpler and more sensible population-based allocation method.

Are there limitations on what an ED LIT can be spent on?
No, an ED LIT can be spent on any legal and permitted use of the City.

Under an ED LIT, how is the funding distributed?
With an ED LIT, the funding is distributed to the County government and all municipalities within the county, based upon the population of each taxing unit:

- City of Bloomington: 58.3%
- Monroe County: 37.0%
- Town of Ellettsville: 4.6%
- Town of Stinesville: 0.1%

How much revenue would the additional tax generate?
Reflecting the healthy growth of our local economy, the following are estimates of the annual revenue impact of a 0.855% point ED LIT increase:

- City of Bloomington: $18.00 million
- Monroe County: $11.40 million
- Town of Ellettsville: $1.43 million
- Town of Stinesville: $44,000

There are different components of LIT a community can raise: Economic Development (ED LIT), Certified Shares (CS LIT), and Public Safety (PS LIT). Why is an ED LIT being proposed, and why?
The City of Bloomington is proposing an increase in the economic development local income tax (ED LIT). This type of LIT is the most flexible in terms of what it can be used for, and it focuses the funds raised on County and municipal governments. The PS LIT is currently at the maximum allowable amount, but funds raised through an increase in the ED LIT could be used in part for public safety.

The City gets a higher percentage of ED LIT raised compared to CS LIT (58.3% vs. 37%), so an ED LIT allows for the City to raise the same amount of money without raising the LIT rate as much.

LIT Logistics and Implementation

How does the LIT change?
A new Monroe County tax may be proposed by the Bloomington City Council, the County Council, the Ellettsville Town Council, or the Stinesville Town Council. These Councils together form the “Local Income Tax Council” or LIT Council for Monroe County. The Councils can meet together to vote, or each council may vote on the proposed tax separately. The LIT Council has 100 votes in total, which are distributed among the member councils based on population.

Because a majority of Monroe County's population lives in Bloomington, Bloomington's City Council has a majority share of the votes.

Is this "taxation without representation?"

No. The County's Tax Council (made up of the fiscal bodies of the County, Cities & Towns) is designated in each county with the authority to impose a local income tax. Every member of each county fiscal body, like every City Council member, has representation on the LIT Board and each gets to vote on a proposed tax, with proportional voting power. A total number of 100 votes is allocated based on the population of each of the fiscal bodies within that county, as follows:

- Each of 9 City Council members: 6.30 votes
- Each of 7 County Council members: 5.49 votes
- Each of 5 Ellettsville Council members: 0.95 votes
- Each of 3 Stinesville Council members: 0.05 votes

Any combination of affirmative votes adding to more than 50 (out of a total of 100 possible votes) determines the outcome of any LIT council vote on a proposal.

Are funds raised by the LIT put into a special fund or the general fund for the City, and why?

In response to feedback received, funds resulting from a LIT increase would go into a special fund to increase transparency. The annual City budget process is public and requires approval by the City Council. This provides an annual opportunity explicitly to review and refine the way the new LIT proceeds are spent.

Why didn't the LIT proposal published on March 16 include a percentage increase?

The first step in this process is to identify necessary community projects and programs and how much those projects will cost annually. The resulting LIT rate is primarily just a function of the work done in step one--after the Council and the Mayor and the community have identified desired projects, we sort out the resulting LIT rate as step two of the process. That rate decision is ultimately what the Council formally acts upon – adopting a new rate through formal resolutions and votes. Basic parameters on the limits of a LIT rate are of course part of the conversation, but within those limits, the focus is first on deciding which projects should be funded, not on the rate itself.

As of April 6th, the proposed LIT increase is now identified at 0.855% as an Economic Development LIT using a population allocation method.

What does the portion of LIT for property tax relief mean?

Indiana Code 6-3.6-5-4 allows a county to impose a LIT rate to be used as a credit against property taxes. This allows the County to use LIT funds for the purpose of offsetting property taxes for all residents: this operates essentially as an exemption/credit on a person's property taxes.

Could we sunset the LIT at a later date if it was no longer necessary?
Local income taxes can always be reduced or eliminated by the Local Income Tax Council.

How long have we been paying a LIT in Monroe County?
A County Option Income Tax (prior name of what is now called the LIT) was first established in 1984, at a rate of 0.5%. In 1989 that rate was increased to 1.0% (with a brief phase in period). That basic rate hasn't changed in 30 years. In 2014 a special new rate of 0.095% was added specifically to fund needed juvenile justice services, and in 2016 a special new rate of 0.25% was added specifically to fund public safety needs across the county.

Why Raise the LIT?

"These investments are crucially important to our community," said Mayor John Hamilton. "We haven't had a general increase in our LIT for 30 years, during which time our needs have grown substantially and our challenges have mounted. We have more parks and sidewalks now. We have more residents and more employers. We face a climate emergency. Our residents need more affordable housing. New revenue will fund our continued recovery from the pandemic and recession, to assure Bloomington helps people thrive, whatever their station in life."

Why doesn't the City just cut costs and tighten its belt instead of raising the LIT?
The City consistently reviews and implements ways to save money through innovation and critical assessment of programs and services provided. Programs and services that have proven necessary and helpful to residents continue; those that are not are improved upon or discontinued. Savings in the past several years include solar panel installations that lower energy costs; adding quick response vehicles to the Fire Department fleet reducing wear and tear on expensive large equipment like ladder trucks; more efficient deployment of Public Works crews in longer day-shifts; and revamping how leaves are collected and processed. The scope of services, programs, and projects that the City seeks to provide to its residents, however, is much larger in scope; savings cannot fund these needs without drastic and damaging reductions in personnel and essential services.

What would happen if the LIT didn't pass?
Bloomington would be faced with very significant challenges in the coming years meeting our current level of services and continuing to move forward on economic, social, and environmental justice endeavors. The City Council would not be able to ratify the agreed-upon FOP contract, as there are no funds available for the additional salary costs (approximately $1.5 million annually.) Many other initiatives such as those outlined in the Climate Action Plan (CAP),

affordable housing investments, or public transit improvements would also not have funding available.

Why is this being proposed now?
An increase is essential if we are to be proactive about rebuilding our community from this downturn in a way that better incorporates our goals for public safety and economic, racial, and climate justice. We also have to plan ahead, and one never knows if and when the state legislature might adjust a municipality's ability to accomplish new revenues. Mayor Hamilton proposed a 0.5% increase to the LIT in January of 2020, designed for climate change action and preparedness and equity. The onset of the COVID-19 pandemic made this not feasible at the time. In the fall of 2020, Mayor Hamilton proposed a 0.25% increase to the LIT, focused on COVID response, climate action, and economic justice. This did not receive sufficient affirmative votes to be implemented.

As our community recovers from the COVID-19 pandemic, amid rising labor and materials costs, we will not have the resources we need to meet our stated goals as a community without this increase in the LIT. We are very fortunate that federal funds arrived in time to allow continued services. Significant programs and initiatives have been operated in 2021 and 2022 with American Rescue Plan Act (ARPA) dollars to keep our community safe and operating and to "Recover Forward" out of the recession toward a more equitable, sustainable future. Many of these essential efforts cannot continue without an increase in the LIT providing ongoing funding.

The needs are urgent and the sooner the LIT is approved the sooner we will have resources available to address our community's needs.

How will this revenue help Bloomington recover from the COVID pandemic?
City government has a responsibility to Bloomington's future even as we seek immediately to repair the damage wrought by the COVID pandemic. The revenues generated by the proposed Local Income Tax are needed not only to compensate for the current downfall but to build the City back in a way that ensures long-term and widely distributed well-being and resiliency. Proposed investments will move us toward this stronger, more just, and more sustainable future by increasing access to jobs, housing, social services, transportation options, quality of life, retaining and attracting well-trained public safety professionals, and more.

LIT Impact

The LIT is a flat tax. Can we make the impact of the LIT more progressive (i.e. less burdensome on low-income residents)?

The State of Indiana doesn't allow municipalities to levy a wealth tax or a progressive income tax. The LIT proposal does include $1,000,000 annually for an economic equity fund that would provide direct benefits to low-income working residents and families.

Social security benefits–both retirement and disability–are not currently taxed by the State of Indiana or local governments such as ours.

Is the tax just for City residents or would it apply to all residents of Monroe County?

According to state law, local income taxes are county-wide; so the LIT would apply to all Monroe County residents. Revenues are allocated to different local jurisdictions – cities, counties, etc. – according to a state formula.

Do all Indiana counties have a tax like this?

All 92 Indiana counties have a Local Income Tax.

Locally, how many new taxes or raised taxes have been enacted since 2016?

Two. The public safety local income tax was adopted by the LIT Council in 2016 at a 0.25% rate to fund police, fire, and dispatch improvements that protect us all. The food and beverage tax, enacted by County Council in 2018, was a new 1% sales tax placed on retail sales of prepared food and beverages and will be used to fund a convention center expansion and other tourism-related projects county-wide.

About General Obligation Bonds

What is a General Obligation (G.O.) bond?

A general obligation bond (G.O. bond) is a municipal bond backed solely by the credit and taxing power of the issuing jurisdiction rather than the revenue from a given project. General obligation bonds are issued with the belief that a municipality will be able to repay its debt obligation through taxation or revenue from projects. No assets are used as collateral.

What are the benefits of using G.O. bonds to fund projects?

G.O. bonds allow cities to fund high-cost long-term capital infrastructure that allows repayment of longer periods of time. Typically bonds are issued with a repayment term of 5 to 30 years. G.O. bonds are backed by and repaid with local property taxes and are guaranteed by the State to receive first priority funding. Because of this repayment source, they generally receive a Governmental unit's highest bond rating and are therefore considered a safe investment. In addition, these G.O. bonds are generally exempt from state and local taxes.

What projects are best suited to being funded with a G.O. bond?
One-time capital investments are good projects for being funded with a G.O. bond, such as a multi-use trail or essential equipment replacements.

Proposed Climate Action Plan Investments

The proposed LIT increase provides $1,750,000 annually in investments to implement the Climate Action Plan (CAP). What are examples of items that could be implemented?
The Climate Action Plan can be found here: https://bton.in/ZC2Y5

1. Transportation investments
    a. City fleet vehicle electrification *(CAP TL 2-A: support and encourage electric vehicle adoption)*
    b. Expanded micromobility options (example: electric bike share program) *(CAP TL 1-B)*
    c. Transportation demand management *(CAP TL 1-A: reduce single-occupancy vehicle use)*
2. Energy and built environment investments:
    a. Energy efficiency retrofits for all City buildings *(SAP 8.1: reduce non-renewable energy use from municipal operations)*
    b. Bloomington Housing Authority solar conversion *(CAP EB1: increase distributed renewable energy)*
    c. Continuing and expanding the Solar & Energy Efficiency Loan (SEEL) program for nonprofits and small businesses *(CAP EB5: increase financing options for energy efficiency and renewable energy)*
    d. Continuing and expanding the Bloomington Green Home Improvement Program (BGHIP) for homeowners *(CAP EB5: promote equity in energy and resource costs and ownership)*
3. Local agriculture investments:
    a. Local food purchasing incentive program *(CAP FA 3: increase and stabilize the local food market)*
    b. School food garden program *(CAP FA 3: increase local food supply)*
    c. Incentives for food processor businesses *(CAP FA 3: increase local food supply)*
    d. Increased community gardens *(Sustainability Action Plan 4.2: increase food gardens within the community)*
4. Waste management investments:
    a. Curbside composting program, parallel to trash and recycling services *(CAP WM1: increase organics diversion)*
    b. Recycling services for apartment buildings and other multi-family units (4+) *(CAP WM 1: increase recyclables diversion)*

5. Additional tree canopy measures, such as shade trees in high heat areas and/or private tree planting incentives *(CAP G2: increase citywide tree canopy coverage)*
6. Funding for the Green Ribbon Panel to accelerate climate action *(CAP CE 2: attract, create, and support businesses that are committed to sustainability and climate goals)*