

LaPorte County, Indiana

Financial Analysis on  
Local Revenues and Local  
Funding Source Options

*February 16, 2022*



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Municipal Advisors

# LaPorte County – Need for Funding Increased Salaries

Previously studies have shown the County salaries are below averages of other peer governmental agencies.

The County should consider current and other revenue sources available for funding any salary increases.

COVID-19 has restricted the County's ability for growth in revenues and in fact had a deficit of over \$10 million in revenues for 2020.

ARP Funds give broad flexibility for the County to use its portion of the "Revenue Loss" to pay for any governmental expenditure except for debt payments and repaying interfund loans, etc.

Bipartisan Infrastructure Bill will mean millions of dollars to Cities, Towns, and Counties to relieve pressure on local funds, thereby permitting use of CEDIT Funds for salary increases.

# American Rescue Plan (ARP) Funds

- LaPorte County is expected to receive a total of \$21.3 million in funding from the ARP federal grant program.
- Resolution 2022-01 of the Board of Commissioners notes the need for the County to provide competitive salaries and bonuses to help retain a qualified workforce and maintain employee morale.
- Additionally, the Resolution notes a strong objection to an increase in local income tax rates, while also providing multiple viable alternatives depicted below.
- One option would be to use a portion of the \$21.3 million of ARP funds to cover general fund expenditures under the “Revenue Loss” provision, which currently is estimated at \$11.2 Million.
- Other Cities and Towns can also use ARP Funds to cover general fund expenditures.

# American Rescue Plan (ARP) Funds (Continued)

- Moving certain general fund expenses to ARP Funds could cover an amount to pay for increase in County salaries.
- Estimate of \$351,000 to pay for each 1% County salary increase (per LaPorte County Auditor calculations)
  - A 3% salary increase would require \$1,053,000 annually to be available in the County General Fund to pay for increased salaries. \$5,265,000 would need to be available in ARP to cover the increased salaries in during 2022 – 2026.
  - Alternative funding sources will be required beginning in 2027 to cover these increased salaries.
  - The next five years will allow for time to determine revenue sources including to lobby for a fair return on state tax dollars to cover these salaries for the long-term.
  - As the economy continues to improve, County revenues should also increase.
  - Cities and Towns can also use their share of ARP Funds under “Revenue Loss” for increased public safety salaries.

# CEDIT Revenue - .45% Income Tax Rate

Below is a historically summary of CEDIT Tax Receipts:

	<u>Certified</u>	<u>Supplemental</u>	<u>Total</u>
2022 Projected	\$6,071,985	Unknown	\$6,071,985
2021 Actual	\$6,275,260	\$493,795	\$6,769,055
2020 Actual	\$6,048,857	\$439,284	\$6,488,141
2019 Actual	\$5,660,130	\$47,208	\$5,705,338
2018 Actual	\$5,554,915	\$77,446	\$5,632,361

Michigan City and City of LaPorte are projected to receive \$3,354,748 and \$1,640,268 in 2022.

Average CEDIT – Certified Shares annual increase for 2018-2021 is 4%

Note: 2022 Certified shares decreased due to COVID-19 income reductions.

# CEDIT Disbursements – Historical Analysis

Below is a historical summary of CEDIT Disbursements:

## Total

- 2021 Actual \$6,122,611
- 2020 Actual \$2,020,373
- 2019 Actual \$3,567,558
- 2018 Actual \$4,757,187

The County has traditionally used CEDIT for its road paving projects.

Note: Cities, Towns and Counties in Indiana can use CEDIT dollars for any lawful purpose, including public employee salary increases.

# CEDIT Revenues – Options for Uses of Funds

- Use a portion of the CEDIT revenues to cover a salary increase for county employees - \$1,053,000 annually could cover 3% salary increase.
- The annual \$1,053,000 for paving can be paid for out ARP fund under “Revenue Loss” category.
- Issue CEDIT Bonds to cover 3 years of paving costs and spread the payment over the life of the bonds.
  - \$15 Million Bond - \$5 Million of annual paving with a 7-year repayment would have an annual debt service payment of \$2.1 Million annually; **freeing up \$4 million annually** from CEDIT funds for other possible uses.

# Income Tax Increase Option – Public Safety Tax

- Some have proposed a Public Safety Income Tax increase up to .5% to allow for a portion of Public Safety Salaries to be paid out of this fund.
- For each .1% increase in Public Safety Tax the County would receive approximately \$1,349,000 in new revenues.
- For a person earning \$50,000, a **.1% Public Safety Income Tax would be a \$50 a year income tax increase, .5% Income Tax results in a \$250 a year income tax increase.**
- Due to the economic hardships endured under COVID-19 and the massive infusion of federal ARP Funds and Infrastructure Dollars, a local income tax increase is **NOT being recommended** at this time.



# Other Funding Sources Considerations

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## Indiana Allocation of Bipartisan Instructure Funds

- Bipartisan Infrastructure Law will provide Indiana with approximately \$7 Billion in Federal highway formula funding for highways and bridges is expected for Indiana over 5 years.
- Indiana is still determining how it will allocate portions of these funds to local units of government.
- Local Federal highway allocated to LaPorte County could be used for road paving and infrastructure projects, thereby freeing up CEDIT funds for salaries and other uses.

## Lobby State for Release of Surplus Funds

- Lobby State General Assembly to release some of Indiana's \$5 Billion surplus for local Cities, Towns and County's needs.
- Request releasing a portion of \$750 Million State LIT Funds held in reserves for local needs including Cities, Towns and Counties.
- Commission Resolution 2022-1 includes the recommendation to promote a portion of the State surpluses for revenue sharing through the establishment of a Public Safety Trust.

# Summary of Funding Sources for Covering Increased Salary Costs

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- Moving certain general fund expenses to ARP Funds could cover an amount to pay for increase in County salaries.
  - Example: A 3% salary increase would require \$1,053,000 annually to be available in the County General Fund to pay for increased salaries. \$5,265,000 would be needed from ARP Funds to cover the increased salaries in during 2022 – 2026.
- Use a portion of the CEDIT revenues to cover a salary increase for county employees - \$1,053,000 annually could cover 3% salary increase.
- Issue CEDIT Bonds to cover 3 years of paving costs and spread the payment over the life of the bonds. This option still allows for funding of increased salaries and other costs.
- Public Safety Income Tax increase is not being recommended due COVID-19 and general economic conditions and a \$5 Billion state surplus and a massive infusion of ARP Funds and Bi-Partisan Infrastructure Funds.

# Summary of Funding Sources for Covering Increased Salary Costs (Continued)

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## Other

- Bipartisan Infrastructure Law will provide Indiana \$7 Billion Federal Highway Funds. Local allocations could be used to fund a portion of local units of government annual paving program and other infrastructure costs thereby freeing up CEDIT Funds.
- Lobby state legislators to allow more state surpluses to be made available to local units of government including LIT surpluses.
- Request state legislators remove restrictions from MVH Restricted Fund to allow MVH revenues to be used for broader purposes, which could allow some general fund expenditures to be moved back in to MVH.