

Financial state of the city

# INDIANAPOLIS



MONEY  
NEEDED TO  
PAY BILLS: \$1.1  
BILLION



-\$4,300  
TAXPAYER  
BURDEN

# THE FINANCIAL STATE OF INDIANAPOLIS

## Why did Indianapolis' reported pension debt increase by \$557.2 million this year?

Because of a new accounting rule, Indianapolis now has to report its pension debt on its balance sheet. As a result, the city's reported pension debt grew from \$391.4 million in 2014 to \$948.6 million in 2015.

For years, Truth in Accounting has called for this financial reporting change, and we welcome the shift towards more transparent accounting.

### The city's bills exceed its assets

Assets	\$2,339,138,000
Minus: Capital assets	-\$1,643,952,000
Restricted assets	-\$178,192,000
Assets available to pay bills	\$516,994,000
Minus: Bills	-\$1,645,587,000
Money needed to pay bills	-\$1,128,593,000
Each taxpayer's share of this debt	<b>-\$4,300</b>

Indianapolis has \$2.3 billion in assets, but most of these assets are not available to pay city bills.

The \$1.6 billion of capital assets, such as roads, buildings, and land should not be sold to pay bills. The use of \$178.2 million of the assets is restricted by law or contract.

That leaves \$517 million of the city's assets available to pay \$1.6 billion of bills as they come due.

The -\$1.1 billion shortfall represents compensation and other costs incurred in prior years that should have been paid in those years. Instead these costs have been shifted to future taxpayers.



Truth in Accounting is committed to educating and empowering citizens with understandable, reliable, and transparent government financial information.

To be knowledgeable participants in their government and its budget process, citizens need to be provided with truthful and transparent financial information.

## Key findings

- Indianapolis has only \$517 million available to pay \$1.6 billion worth of bills. Therefore, the city has a -\$1.1 billion financial hole.
- Indianapolis has a taxpayer burden of -\$4,300, which is each taxpayer's share of the city's unfunded debt.
- Despite reporting all of its pension debt, the city still continues to hide some of its retiree health care debt. The city's total hidden debt is \$19.9 million.

### The bills Indianapolis has accumulated

Bonds	\$1,124,741,000
Other liabilities	\$280,536,000
Minus: Debt related to capital assets	-\$870,300,000
Unfunded pension benefits	\$944,220,000
Unfunded retiree health care benefits	\$166,390,000
<b>Bills</b>	<b>\$1,645,587,000</b>

Despite the balanced budget requirement, the city has accumulated bonded debt of \$1.1 billion and other liabilities of \$280.5 million. The calculation of assets available to pay bills does not include capital assets, so \$870.3 million of related debt is removed from the calculation of city bills.

Unfunded employees' retirement benefits represent 67% of city bills. These unfunded liabilities have accumulated because city employees have been promised \$944.2 million of pension benefits and \$166.4 million of retiree health care benefits, but the city has not adequately funded them.

Unless these pension and retiree health care benefits are renegotiated, future taxpayers will be burdened with paying for these benefits without receiving any corresponding government services or benefits.

Data is derived from the city of Indianapolis' December 31, 2015 audited Comprehensive Annual Financial Report and retirement plans' actuarial reports.

Number of taxpayers is based on an estimation of the city's population with a federal tax liability.

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