



Transition and Transformation

By Candace Gwaltney

City Combats Budget Woes, Celebrates Downtown Change

The mayor described it as “the perfect storm.” A local economist called it “ground zero for the property tax debate.” In 2009, the city of Muncie has faced a budget that needed to be reckoned with, inefficiencies in services, a shrinking industrial base, and, ultimately, layoffs within the city’s fire and police departments.

Despite all of that, the glass is half full for the Delaware County community.

New industries are giving the city a boost of confidence – two green energy companies are bringing jobs and an additional trade to the area. A new Ivy Tech Community College campus is expected to lead a resurgence in downtown development.

“We’re truly in a transformational point in time,” asserts Mayor Sharon McShurley.

Facing fiscal reality

While cities across the state have made adjustments due to the new property tax caps, Muncie’s fiscal situation already was in dire circumstances, according to Michael Hicks, economist and director of the Ball State University Center for Business and Economic Research.

“Muncie’s city budget has been absolutely bloated and out of control for two decades,” he contends. A gap has existed between the high cost of living in Muncie and the quality of life. That’s why Hicks has called Muncie “ground zero” for the effects of property tax reform.

“There are other places where the taxes are high, but there is no place that I know of in Indiana where the gap between tax rates and quality of government and the services it provides are as pronounced as they are here in Muncie,” he states.

While property tax caps are what brought the budget to a boiling point, they are not the sole reason for the city’s budget crisis, McShurley notes.

“I’ve been very reluctant to blame it all on property tax caps, just simply because we’ve lost our industrial base,” she shares. “We had not over the years been planning for any reduction. We’ve continued pretty much status quo with our budget even though things kept declining on the revenue side.”

As a result, the city decided to lay off 32 firefighters and six police officers. While that was a difficult decision to make, McShurley says there was no choice.

"We are a community that has not thought long term and has not invested in ourselves," she explains. "And just like any business, you get to a point where your equipment is going to break down and your building is going to need repaired. So (because) all of that is hitting at once and the city not going through layoffs or downsizing (before), we have no operating balance. The checking account is empty and the savings account is empty."

Dollars and cents

To get the city's spending under control, McShurley has challenged every department to examine what it is statutorily mandated to do versus what is done "just because that's what we've always done." Small changes have added up to significant savings, she says.

For example, the streets department learned it is only required to paint parallel stripes from one side of the street to the other for school crossings. The department had been adding perpendicular lines, which are not necessary, McShurley says. "Those kinds of things in an entire department start to add up."

Hicks credits McShurley for making "the biggest amount of needed change in Muncie as any city leader."

Since taking office in 2008, the mayor replaced management at the city's largest park, Prairie Creek Reservoir. She turned that park around from being taxpayer supported to now earning a profit, Hicks notes.

The reservoir had never been self-sustaining; changes to how the park is run now save taxpayers \$150,000, McShurley explains.

Under McShurley's leadership, the city has "right-sized the public safety department," closed unnecessary fire stations, paved roads, balanced the budget and created a budget prior to the deadline, Hicks points out.

"All of those things suggest the city is in the midst of a fiscal turnaround," he declares. "But that doesn't mean it's going to make a lot of money; what it means is that for the first time in 20 to 40 years, the cost of government is aligned with the quality of government."

Shifting job base

Another challenge is combating a declining population. In 1990, 71,035 people called Muncie home, according to the U.S. Census Bureau. That number dropped to 67,430 in 2000 and 64,975 in 2008.

Hicks sees many colleagues at Ball State commuting from Fishers and Indianapolis. "They are doing so because the quality of public services is so poorly matched with the tax rate."

He and McShurley agree the city could see more people staying in Muncie as a result of the recent changes. Lower

residential property tax rates could encourage new developments in a city that has "a very old housing stock," McShurley shares.

A link also can be made between the changing job market and the population decline. "Obviously the loss of manufacturing jobs in the region has been very hurtful to the community," Hicks comments.

In April, auto transmission parts manufacturer BorgWarner shuttered its doors – a long-expected move since the closure was announced two years ago. The plant employed thousands of workers at its peak.

The 1.2-million-square-foot building will not become a white elephant though. In July, it was announced an Ohio businessman bought the facility to redevelop it for multiple tenants.

McShurley says the site's location on State Road 32 is a gateway into the community, offering rail and highway access – making it an attractive setting for new companies.

Other promising news this year was the announcement of two wind energy companies locating operations in Delaware County.

Italian gear making company Brevini moved its U.S. headquarters from Chicago to the area. Production is expected to begin in 2010, and

455 jobs will be created.

Just months after the Brevini news, Germany-based VAT-Getriebetechnik (VAT) announced it would locate its U.S. headquarters and first North American manufacturing facility in the county. The company will produce solar and wind-powered street lamps and will employ about 125 people.

The county likely would not have been able to attract Brevini or VAT "without the confidence that the city is beginning to turn around," Hicks notes.

Downtown education

While Ball State University usually dominates the local education headlines, Muncie is counting on a different higher education institution to attract businesses to its downtown district.

Ivy Tech Community College recently acquired a few properties downtown that will not only give the college much-needed space, but also provide downtown merchants a new customer base.

In August, the late John Fisher and his wife Janice donated a four-story building (the former Ball Corp. headquarters) to Ivy Tech. The more than 100,000-square-foot structure was the largest gift ever received in the 40-year history of the Ivy Tech Foundation.

Fisher was a longtime community and state leader and



Mayor Sharon McShurley hopes new development (including an Ivy Tech expansion and a city park) will help boost downtown commerce.



The family of the late John Fisher donated this four-story building to Ivy Tech Community College. Classes are expected to begin in a portion of the building in January, while other parts will be renovated once tenants' leases end.

shares. Modular trailers on the college's industrial park campus and leased space at area public buildings provide extra classroom space.

Building bonanza

Plans call for a portion of the downtown building – now called the Ivy Tech Fisher Campus – to open in January. Two floors are under renovations for classrooms and computer labs. Once current tenant leases end on the other two floors, those will be used for student services and building office functions (on the first floor) and administrative space (on the fourth floor).



The now vacant BorgWarner facility is one example of Muncie's shift away from an automotive manufacturing hub. Plans call for the building to be redeveloped for multiple tenants.

In September, the city of Muncie also donated an office building one block north of the Fisher building, which used to house *The Star Press* newspaper, Chesterfield shares.

The college also has an agreement to purchase a third property that includes a two-story building and parking lot. The donation and purchase will provide the college with nearly an entire city block (in addition to the Fisher building).

Ivy Tech also is leasing a downtown building for its growing culinary arts program; it was the first downtown location to open (classes were scheduled to move there in October). The seven-year lease was signed prior to knowledge of the donated locations. Formerly home of Italian restaurant Mezza Luna, the building is prominently located on busy Walnut Street.

"Those three things (Fisher building, other new properties and the culinary program) are really exciting from the standpoint of positioning downtown for a real renaissance," Fisher asserts.

The move also brings Ivy Tech closer to Ball State, which will help students who transfer to the university make an easier transition, Chesterfield notes.

With as many as 1,500 students eventually downtown, Fisher sees opportunities for businesses to expand and new ventures to start as they serve the increased traffic. Ball State will see benefits as well – a more dynamic

downtown will create a new attraction for students, he observes.

Other movement is helping to transform Muncie's downtown: a new park is being developed, blighted structures are being torn down and work is underway on a new comprehensive plan.

"It's been very difficult to be mayor of Muncie, but it's also a very exciting time," McShurley concludes. "You just think of the potential and trying to maximize all of that. For a while there we were kind of waning as being the focal point between Fort Wayne and Indianapolis. I see us very quickly starting to come around the corner and start to be that again."

INFORMATION LINK

Resources: Gail Chesterfield, Ivy Tech Community College – East Central Region, at (765) 289-2291 or www.ivytech.edu/eastcentral

Michael Hicks, Ball State University Center for Business and Economic Research, at (765) 285-8192 or www.bsu.edu/business

Sharon McShurley, city of Muncie, at (765) 747-4845 or www.cityofmuncie.com

benefactor; he retired as president and chairman of Ball Corp.

"From the standpoint of a legacy to the city, he provided what I think is a long-term gift, not something that sort of gets forgotten," notes Jim Fisher, son of John Fisher. "This is a gift that the family feels can have a very broad impact on lives and business in Muncie and beyond."

The gift could not have come at a better time. The Muncie campus experienced a nearly 31% increase in enrollment this fall over the previous year, states Gail Chesterfield, chancellor of Ivy Tech's East Central Region.

"To accommodate those additional students, we've been doing some creative things," she