



**THE FISCAL HEALTH OF INDIANA'S
LARGER MUNICIPALITIES:
CITY OF NEW ALBANY
MUNICIPAL PROFILE**

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CITY OF NEW ALBANY MUNICIPAL PROFILE

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Introduction

This document is a summary of financial information on the City of New Albany assembled from several public sources. It is intended to serve as a supplementary document to the Indiana Fiscal Policy Institute report *Fiscal Health of Indiana's Larger Municipalities* released in December, 2015. It was not prepared for or vetted by the City of New Albany prior to its release and does not serve in any manner as a publication of the City. Rather it is the author's interpretation of the data gathered from publicly available sources.

Economic Climate

Based on this study's Composite Economic Index, the City of New Albany has been functioning in the eighth strongest economic environment of the eighteen municipalities included in this study.

In 1970, the City of New Albany had 38,402 residents. That total represented 69 percent of the Floyd County population. In 2014, the estimated population of New Albany was 36,589. That total represented 48 percent of the Floyd County population, a decrease of 21 percentage points from 1970. Between 1970 and 2014, New Albany lost 1,813 residents, a 5 percent decline. Between 2006 and 2014, New Albany lost an estimated 374 residents for a 1.0 percent decrease.

Total personal income in Floyd County increased by 19.1 percent between 2006 and 2013. This was the eighth highest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Floyd County was \$42,503, second highest among the selected counties. This was 110.0 percent of statewide per capita personal income. In 1970, per capita personal income in Floyd County was 97.8 percent of the statewide per capita personal income.

Floyd County has experienced long-term gain in employment. In 1970 the countywide total employment (full and part-time employment) was 17,994. By 2007, employment in the county had increased to 41,085. However, the county experienced a loss of employment between 2007 and 2013 to a total of 39,883 by 2013. The longer-term increase between 1970 and 2013 was 121.6 percent, the fourth highest rate of increase among the fifteen counties that contained the eighteen selected municipalities. The shorter-term decline between 2007 and 2013 was 2.9 percent, the eighth best performance among the fifteen counties. This data is from the Bureau of Economic Analysis Total Employment by county data and is based on place of work not place of residence.

The Gross Regional Product in Floyd County in 2013 was \$2,649,594,312. The per capita GRP was \$34,836 in 2013. This was the fourth lowest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, New Albany ranked 8th on a Composite Economic Index of several municipal and countywide economic indicators (short and long-term population change, short and long-term employment change, total personal income growth, per capita personal income, gross regional product per capita, gross assessed valuation change, and gross assessed valuation per capita). It scored 142 out of a possible 270 points. This indicates that the City of New Albany has been operating in a relatively strong economic environment in comparison with the group of municipalities included in this study. Some of these factors, such as per capita personal income relate closely to the

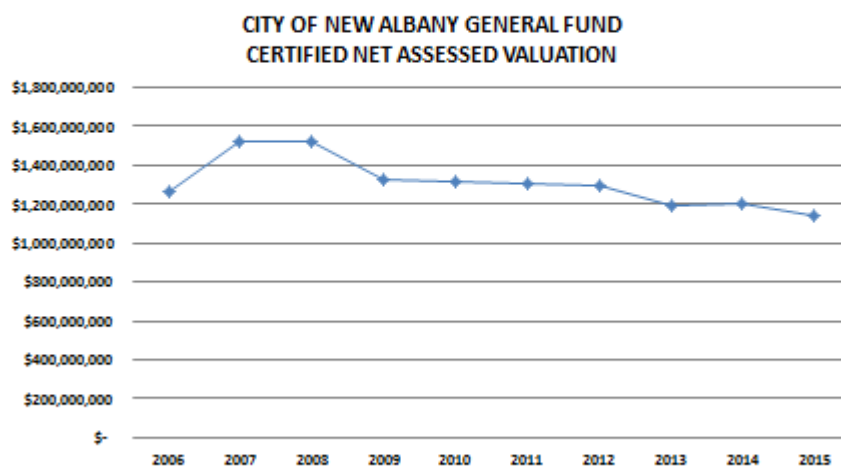
relative income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of New Albany was \$2,165,336,360 in 2014 pay 2015. This was a 1.9 percent decrease from the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$59,180 per capita in 2014 pay 2015, ranking 9th among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 15.1 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 24.8 percent of New Albany's gross assessed valuation. In 2007 pay 2008 6.2 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 15.1 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 73.4 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had fallen to 58.1 percent.

Figure 1 illustrates the changes in net assessed valuation for New Albany from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of New Albany General Fund is \$1,140,899,173 for 2014 pay 2015. That is down from \$1,266,373,830 in 2005 pay 2006. Between 2007 pay 2008 and 2008 pay 2009, where the impact of the increases in the homestead deductions enacted in HEA 1001-2008 first occurred, the certified net assessed valuation for New Albany declined by 12.8 percent, the sixth largest decline among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of New Albany's net assessed valuation continued to decline by an additional 13.9 percent, the third highest rate of decrease among the selected municipalities. Net assessed valuation per capita in New Albany was \$31,181 in 2014 pay 2015, ranking 11th among the eighteen municipalities. Over the past year, net assessed valuation for the City of New Albany General Fund declined by 5.1 percent. In 2014 pay 2015, 15.1 percent of the City of New Albany's General Fund net assessed valuation was captured by tax increment financing districts.

FIGURE 1



In 2006 pay 2007, the City of New Albany’s certified net assessed valuation was 43.9 percent of the net assessed value countywide in Floyd County. By 2014 pay 2015, the City’s portion of the countywide net assessed value had decreased to 40.2 percent.

Annual Property Tax Certified Budgets, Levies and Rates

2007 Certified Budgets, Levies and Rates for Property Tax Supported Funds

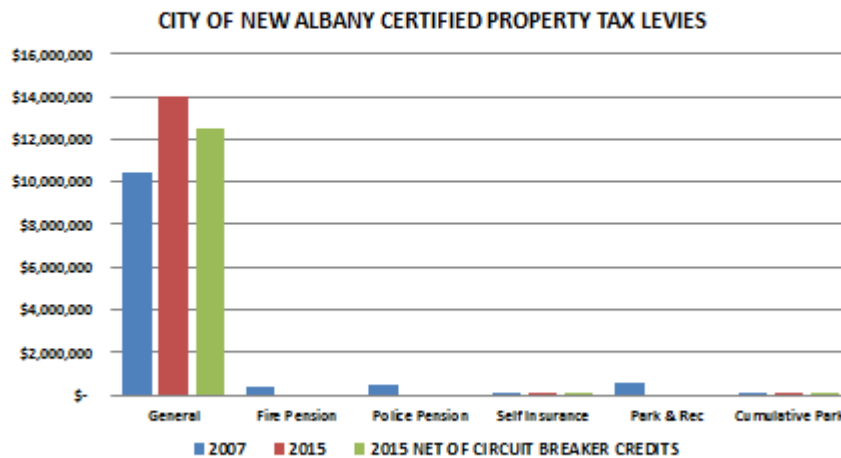
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$15,825,880	\$10,412,906	\$0.6826
Self Insurance	\$129,421	\$3,051	\$0.0002
Fire Pension	\$2,588,274	\$414,930	\$0.0272
Police Pension	\$2,546,070	\$443,914	\$0.0291
Park & Recreation	\$1,286,472	\$585,783	\$0.0384
Cumulative Park & Rec	\$207,831	\$149,497	\$0.0098
Total	\$22,583,949	\$12,010,081	\$0.7873

2015 Certified Budgets, Levies and Rates for Property Tax Supported Funds

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$24,300,565	\$13,876,757	\$1.2163
Self Insurance	\$300,000	\$74,158	\$0.0065
Cumulative Park & Rec	\$250,000	\$103,822	\$0.0091
Total	\$24,850,565	\$14,054,737	\$1.2319

Source: Department of Local Government Finance Annual Budget Orders

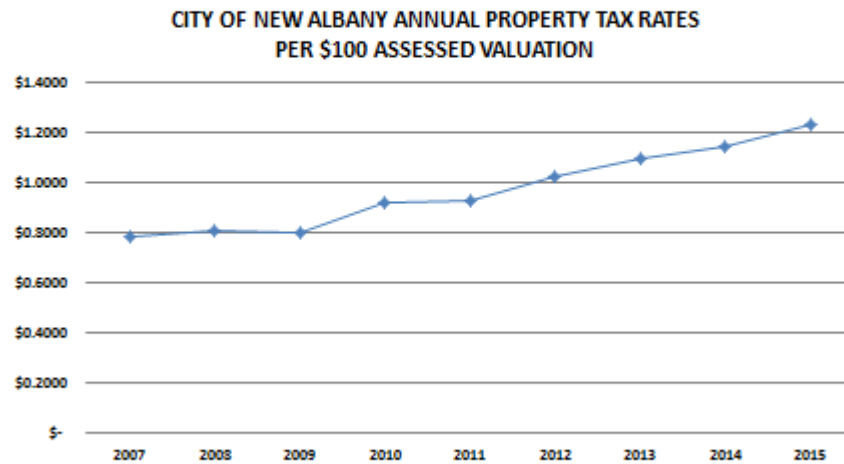
FIGURE 2



The City of New Albany’s 2015 property tax rate of \$1.2319 ranked as the seventh lowest among the eighteen selected municipalities. New Albany’s property tax rate increased by \$0.4446 between 2007 and 2015. This was a 56.5 percent increase. The increase, in cents per \$100 assessed valuation, ranked tenth highest among the selected communities and was the sixth highest as a percentage increase.

The City of New Albany has not adopted a Cumulative Capital Development Fund as of the 2015 Certified Budget. It does not levy property taxes to support its Police and Fire Pension Funds nor does it levy property taxes to support any debt service funds.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of New Albany lost \$1,558,593 in property tax revenue due to Circuit Breaker credits. That was 11.1 percent of its Certified Property Tax Levy, the sixth lowest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 91.2 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of New Albany were \$43 per capita (sixth lowest among the eighteen municipalities) and \$137 per \$100 of assessed valuation (also sixth lowest). The City of New Albany lost another \$2,219 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

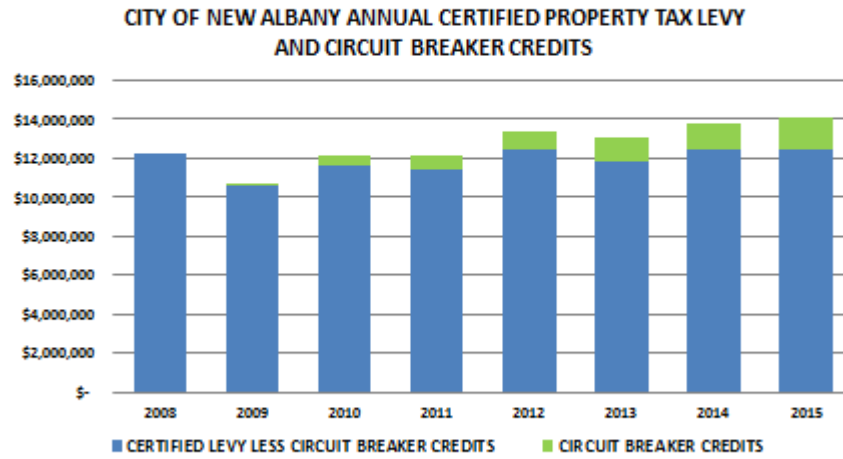


FIGURE 5

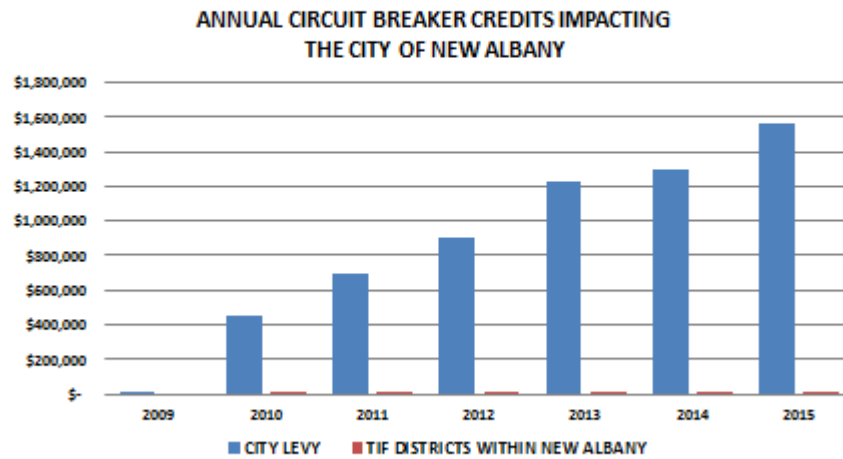
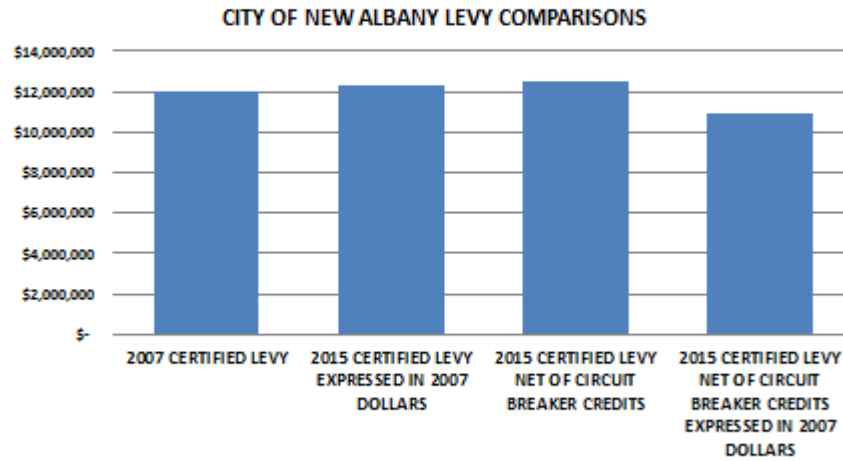


FIGURE 6

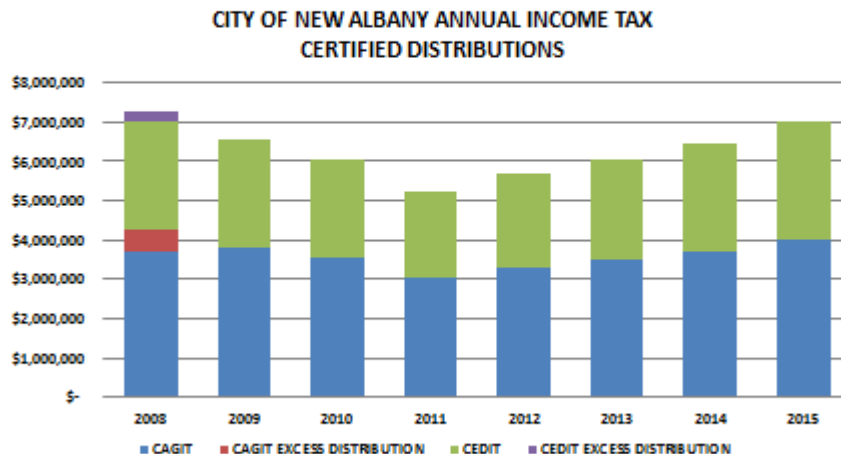


Local Income Taxes

Floyd County has a County Adjusted Gross Income Tax at a 0.75% rate and a County Economic Income Tax at a 0.3% rate. As of January, 2015, Floyd County had not adopted either a Property Tax Relief LOIT or a Public Safety LOIT. It has adopted the County Economic Development Income Tax for Homestead Credits to offset the exemption of inventory from the property tax base. The City of New Albany has 48.8 percent of the vote in the Floyd County Income Tax Council. In 2008, the City of New Albany received 7,266,252 in local income tax distributions. By 2015 these distributions had increased to \$6,986,367. The 2008 distribution would have needed to be \$8,053,768 in 2015 to keep pace with inflation.

Local income tax revenue represented 37.2 percent of New Albany's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion declined as income tax revenue represented 35.9 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



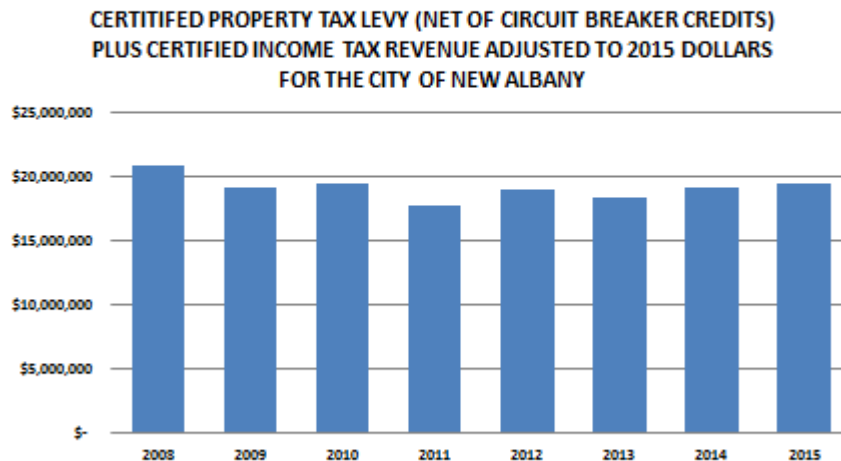
Fiscal Capacity Index

After exploring the changes which have occurred to the property and income tax revenues to the City of New Albany, what has been the overall impact on the fiscal capacity of this municipality? To better understand that impact, a simple “Fiscal Capacity Index” has been created. “Core income” as defined in this study is the combination of (1) annual certified property tax levies net of circuit breaker credits; and (2) annual local option income tax certified distributions. In addition, property tax levies have been adjusted to remove the 2008 levies for those Police and Fire Pension Funds that were taken over by the state in 2009 to allow for a more accurate year-to-year comparison.

These two sources represent the two key revenue sources for most municipalities. The property tax component has been impacted by the enactment of the property tax caps and by the changes to assessed valuation both occurring through the 2008 legislation to increase homestead deductions and by the recession holding down “natural” growth in assessed valuation. Secondly, the impact of the property tax caps has been included by reducing property tax revenue by the amount of Circuit Breaker Credits attributable to each municipality. Lastly, the recession also had a depressing effect on personal income which, in turn, reduced income tax revenues.

After the annual “core income” was determined for New Albany, this revenue was then adjusted for inflation, creating the real value of the annual revenue for comparison over the 2008-2015 timeframe. Figure 8 illustrates the inflation adjusted core income for the City of New Albany from 2008 through 2015.

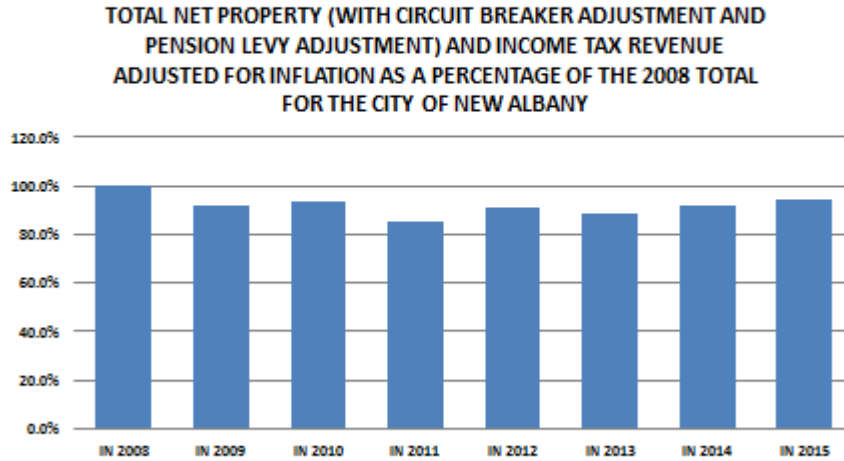
FIGURE 8



The City of New Albany's total certified property tax levy, net of circuit breaker credits, plus income tax revenue, after adjusting for inflation, was 93.9 percent of the 2008 total.¹ This was the eighth lowest Fiscal Capacity Index ranking of the eighteen selected municipalities. Between 2009 and 2015 the cumulative loss of core revenue compared with the 2008 total was \$4,918,824. This was the equivalent of 26 percent of 2008 core revenue.

¹ The levies for the Police and Fire Pensions were removed from the levies to reflect a more fair comparison as the obligations in these funds were taken over by the State in 2009.

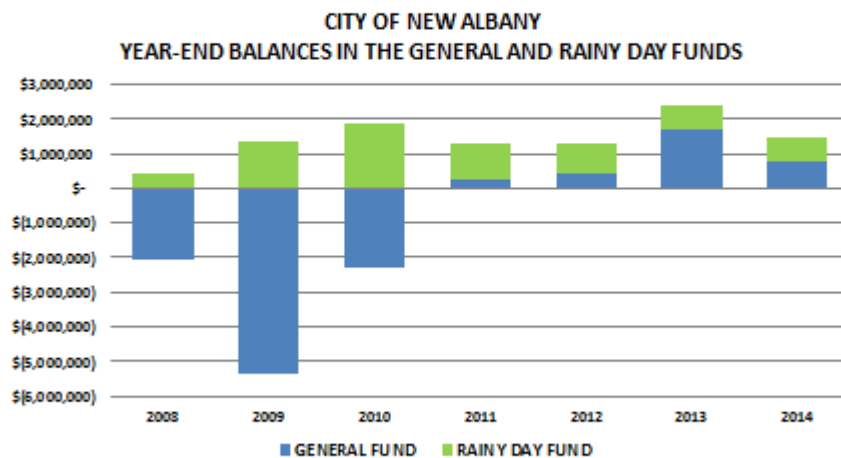
FIGURE 9



Year-End Balances, Annual Receipts and Annual Disbursements

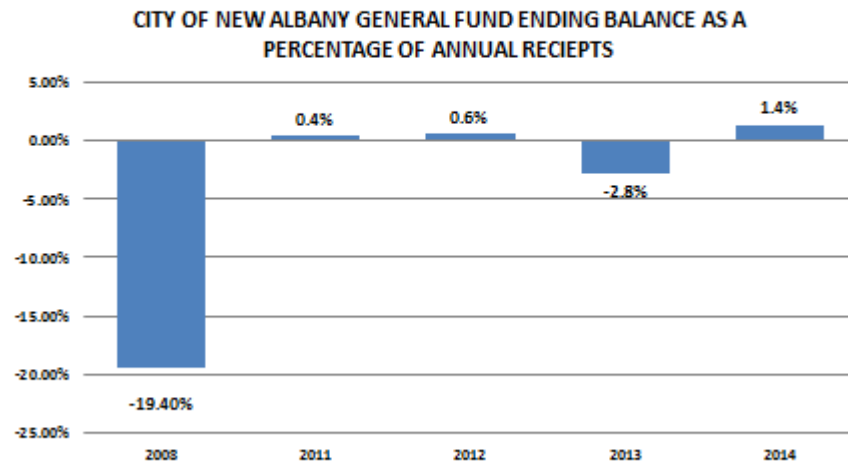
The 2014 year-end balance, including reserved and obligated funds, in the City of New Albany’s General Fund was \$773,947. Its Rainy Day Fund ended 2014 with a balance of \$711,947. The combined total balance for both funds at year-end 2014 was \$1,485,843. This was 7.1 percent of annual receipts from both funds combined, ranking as the fifth lowest of the eighteen selected municipalities. The combined total represented \$41per capita, also the sixth lowest ranking. The combined General and Rainy Day fund balances increased by \$5,477,358 between 2009 and 2014. This was the sixth highest ranking among the selected municipalities.

FIGURE 10



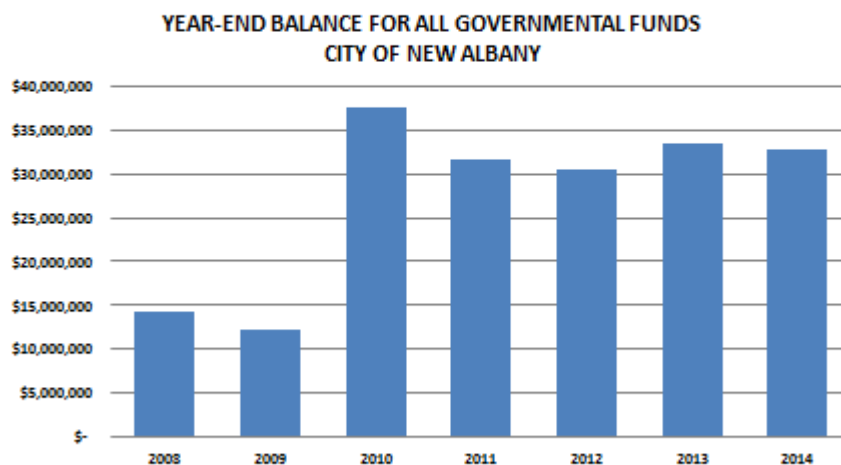
The 2014 year-end balance for all Governmental Funds for the City of New Albany was \$32,771,884. This was \$896 per capita, ranking 7th highest among the selected municipalities. General Fund disbursements represented 30.0 percent of all Governmental Fund disbursements in 2014. The year-end balance for all Governmental Funds was 45.7 percent of the 2014 receipts in those funds. Total disbursements from all Governmental Funds in 2014 were \$72,409,938. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$105,002,542 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$71,741,333. This was \$1,961 per capita, ranking as the 7th highest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 26.4 percent of all Governmental Fund receipts in 2014 for the City of New Albany.

FIGURE 12



Intergovernmental Revenue

The information in this section was obtained from the IUPUI's Public Policy Institute Fiscal Benchmarking Project. 2012 intergovernmental revenue for New Albany was \$9,942,702 and represented 10.1 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 9.6 percent of total annual revenue. New Albany ranked as the fifth least dependent on Intergovernmental Revenue among the selected municipalities.² The 2011-2012 average annual intergovernmental revenue per capita was \$225, ranking New Albany as the 10th highest among the selected municipalities.

Highway Funding

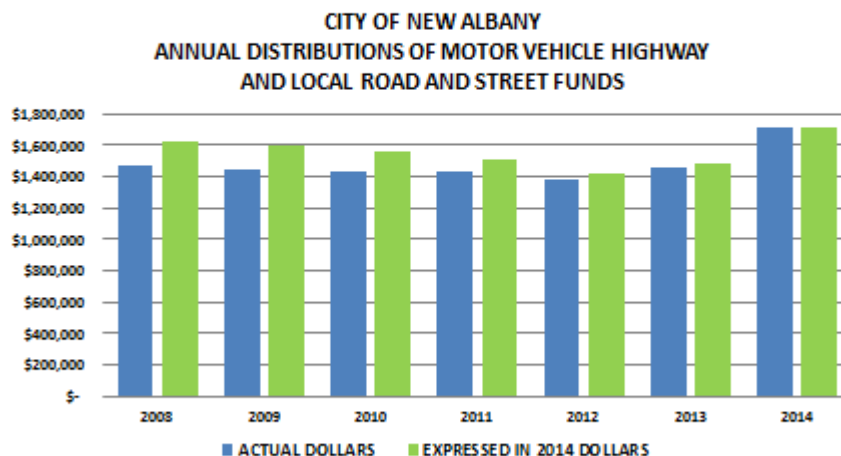
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from the Motor Vehicle Highway (MVH) and Local Road and Street (LR&S) funds had not been keeping pace with inflation, this source remains a most important revenue stream for the City of New Albany.

In 2008, the City received a combined total of \$1,474,486 from the MVH and LR&S distributions. By 2012, these distributions had declined to \$1,379,133. The changes to the MVH Account made by the General Assembly beginning with the 2013-2015 State Budget increased the distributions to local units, including the City of New Albany. By 2014, the first full year that the increase was in effect, New Albany's combined distributions had increased to \$1,709,898. This was a 16.0 percent increase over the 2008 distributions, ranking as the fourth lowest percentage change among the selected municipalities. After adjusting for inflation, this was a 5.5 percent increase over the 2008 combined MVH and LR&S distributions. The composite inflation adjusted increase for all eighteen selected municipalities was 15 percent.

The City of New Albany does not currently levy property taxes to support either its MVH or LR&S Funds.

² There was no data available on Intergovernmental Revenue for the City of Lafayette.

FIGURE 13



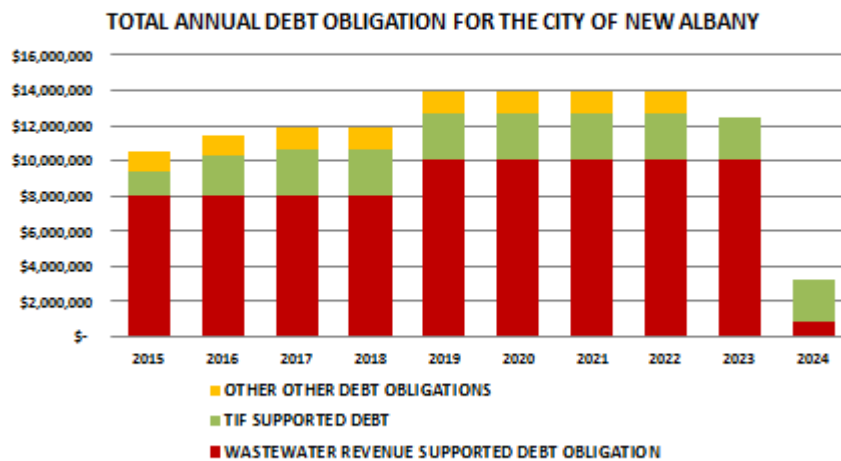
Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of New Albany had total outstanding debt of \$151,237,515. This was \$4,109 of outstanding debt per capita, ranking third highest among the selected municipalities.

Of the total outstanding debt, 58.4 percent was supported by wastewater revenues, no debt was supported by water revenues and 35.1 percent was supported by tax increment finance revenues. The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$267, eighth lowest among the selected municipalities.

As of July 1, 2014, the City of New Albany had \$58,200,834 in outstanding debt supported with County Economic Development Income Tax revenues. This was 19.6 times the City's 2015 total income tax certified distribution. All or a substantial portion of this CEDIT debt must be a back-up for other debt as the amount of other outstanding debt plus the amount of CEDIT outstanding debt equals substantially more than the total outstanding debt for the City.

FIGURE 14



The 2024 projected total debt payments of all current outstanding debt is 30.9 percent of the 2015 projected payments. According to the IUPUI Public Policy Institute's Fiscal Benchmarking Project, the 2012 Debt Service Ratio for the City of Fort Wayne is 6.6 percent.

Summary Observations

The City of New Albany has been operating in a relatively neutral economic environment compared with the other seventeen selected municipalities, ranking eighth on the Composite Economic Index prepared for this study. Of particular note, per capita personal income in Floyd County in 2013 ranked as the second highest among the counties containing one or more of the selected municipalities.

The City experienced a slight decline in gross assessed valuation between 2007 and 2008 and 2014 and 2015 (-1.9%). This was just lower than the composite rate of change in gross assessed valuation for all eighteen municipalities included in this study. More significantly, New Albany's net assessed valuation has declined by nearly twenty-five percent over this period. Like other municipalities, its net assessed valuation declined with the increase in homestead deductions put in place in 2008. However, net assessed valuation for New Albany has continued to decline going forward. The amount of gross assessed valuation captured in the City's tax increment financing districts has grown substantially from 2007 and 2008 (6.2%) to 2014 and 2015 (15.1%).

The City of New Albany's 2015 property tax rate of \$1.2319 per \$100 assessed value was the seventh lowest among the eighteen selected municipalities. The rate has been growing since 2009 when it was \$0.7980. The 2007-2015 increase of 56.5 percent was the sixth highest rate of increase among the selected cities. The growth in New Albany's certified property tax levy, before property tax cap reductions are taken into consideration, exceeded the amount needed to keep pace with inflation but was below the composite rate of levy growth for all eighteen selected municipalities. New Albany's 2014 per capita certified property tax levy was the third lowest among the municipalities included in this study. In 2015, the City lost eleven percent of its certified property tax levy to circuit breaker credits. This was the fifth lowest percentage among the cities studied.

In 2008 Floyd County had a total local income tax rate of 1.15 percent. That rate had not changed for local income taxes collected in 2015. While the rate remained steady over this period, the City of New Albany's local income tax revenue was less in 2015 than it had been in 2008. In fact, after adjusting for inflation, it was 13.3 percent less. The combination of the property tax levy increases and local income tax decreases placed New Albany in the eleventh position on this study's Fiscal Capacity Index among the eighteen selected municipalities.

In the last years of the prior decade the City of New Albany had some sizable negative balances in its General Fund. These were partially offset by modest positive year-end balances in its Rainy Day Fund. In the past four years the City has been able to end the year with small but positive balances in both the General and Rainy Day Funds. Its 2014 combined balance in these two funds ranked as the sixth lowest among the selected municipalities. The City's 2014 disbursements per capita from all Governmental Funds of \$1,979 were the eighth highest of the municipalities included in this study. New Albany's per capita outstanding debt of \$4,133 as of July, 2014 ranked third highest among the selected municipalities.

The City of New Albany had a 26 percent cumulative loss in "core revenues" between 2009 and 2015 compared with 2008 "core revenues", ranking eleventh among the eighteen municipalities. The City ranked 12th on this study's Index of Overall Fiscal Health.