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

by John Stafford
March 2016

CITY OF NOBLESVILLE MUNICIPAL PROFILE

MARCH 2016

Introduction

This document is a summary of financial information on the City of Noblesville 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 Noblesville 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 Noblesville has been functioning in third most advantageous economic environment of all eighteen selected municipalities.

In 1970, the City of Noblesville had 7,548 residents. That total represented 14 percent of the Hamilton County population. In 2014, the estimated population of Noblesville was 57,584. That total represented 19 percent of the Hamilton County population, an increase of 5 percentage points from 1970. Between 1970 and 2014, Noblesville gained 50,036 residents, a 663 percent increase. Between 2006 and 2014, Noblesville gained an estimated 17,469 residents for a 43.5 percent increase.

Total personal income in Hamilton County increased by 41.1 percent between 2006 and 2013. This was the highest percentage increase among the fifteen counties that contained our selected municipalities. Per capita personal income in 2013 in Hamilton County was \$56,515, highest among the selected counties. This was 146.3 percent of statewide per capita personal income. In 1970, per capita personal income in Hamilton County was 114.9 percent of the statewide per capita personal income.

Hamilton County has experienced both long-term and short-term growth in employment. In 1970 the countywide total employment (full and part-time employment) was 15,042. By 2007 employment in the county had increased dramatically to 165,996 and continued to grow through 2013 when it had reached 187,089. The longer-term gain between 1970 and 2013 was 1143.8 percent and the shorter-term gain was 12.7 percent. Both the long-term and short-term percentage gains were the highest among the fifteen counties that contained the eighteen selected municipalities. Hamilton County was one of only four of the fifteen counties to experience employment growth between 2007 and 2013. 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 Hamilton County in 2012 was \$14,972,955,630. The per capita GRP was \$51,738 in 2012. This was the second highest GRP per capita of the sixteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Noblesville ranked third 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 242 out of a possible 270 points. This indicates that the City of Noblesville has been operating in a very strong economic environment in comparison with the group of municipalities

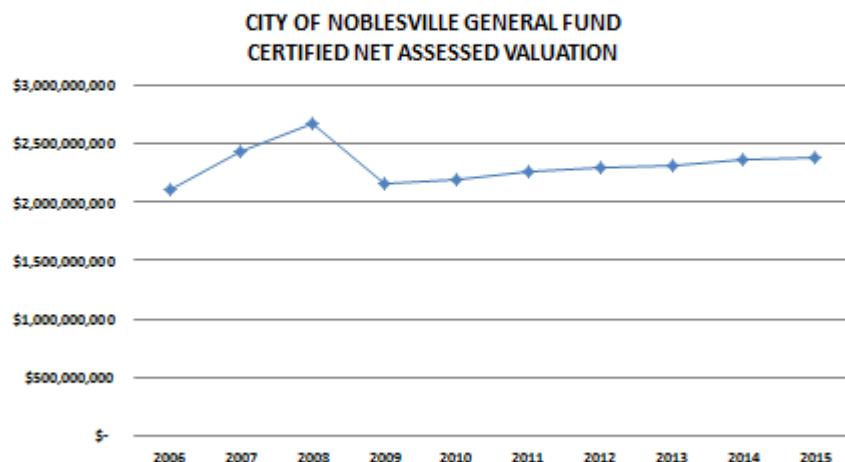
included in this study. Some of these factors, such as per capita personal income relate closely to the relative income tax performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Noblesville was \$4,719,389,450 in 2014 pay 2015. This was a 14.0 percent increase over the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$81,957 per capita in 2014 pay 2015, ranking 3rd among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 13.5 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 31.2 percent of Noblesville's gross assessed valuation. In 2007 pay 2008 8.7 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 19.9 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 70.8 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had fallen to 57.6 percent.

Figure 1 illustrates the changes in net assessed valuation for Noblesville from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Noblesville General Fund is \$2,376,673,264 for 2014 pay 2015. That is up from \$2,110,798,844 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 Noblesville declined by 19.5 percent, the third largest decline among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Noblesville's net assessed valuation grew by 10.5 percent, the third highest rate of increase among the selected municipalities. Net assessed valuation per capita in Noblesville was \$41,273 in 2014 pay 2015, ranking 4th among the eighteen municipalities. Over the past year, net assessed valuation for the City of Noblesville General Fund increased by 0.6 percent. In 2014 pay 2015, 19.9 percent of the City of Noblesville's General Fund net assessed valuation was captured by tax increment financing districts. This was the third highest among the selected municipalities.

FIGURE 1



In 2006 pay 2007, the City of Noblesville's certified net assessed valuation was 12.0 percent of the net assessed value countywide in Hamilton County. By 2014 pay 2015, the City's portion of the countywide net assessed value had increased to 13.0 percent.

Annual Property Tax Certified Budgets, Levies and Rates

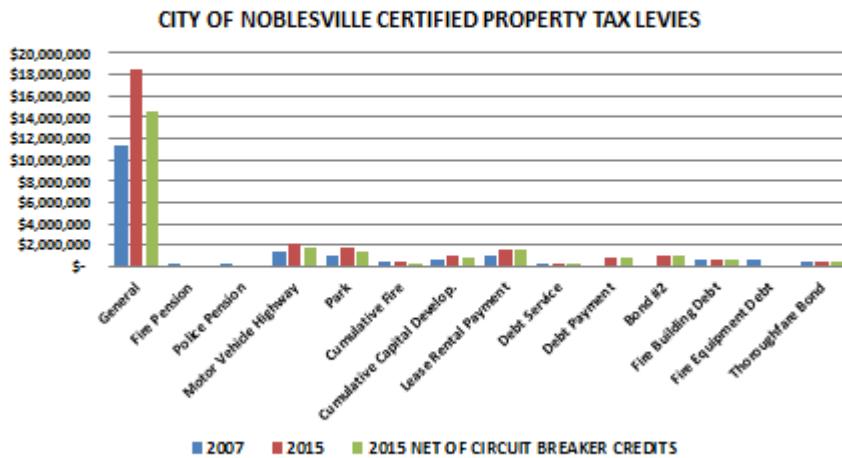
2007 Certified Budgets, Levies and Rates for Property Tax Supported Funds

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$31,920,445	\$11,305,844	\$0.4652
Debt Service	\$126,000	\$116,655	\$0.0048
Lease Rental Payment	\$1,001,000	\$940,533	\$0.0387
Fire Pension	\$480,872	\$199,286	\$0.0082
Police Pension	\$256,078	\$89,922	\$0.0037
MVH	\$3,116,982	\$1,472,773	\$0.0606
Thoroughfare Bond	\$573,000	\$532,240	\$0.0219
Fire Building Debt	\$622,000	\$573,555	\$0.0236
Fire Equipment Debt	\$754,000	\$663,477	\$0.0273
Cumulative Fire Special	\$363,261	\$483,633	\$0.0199
Park	\$1,228,722	\$955,115	\$0.0393
CCD	\$649,000	\$729,096	\$0.0300
Total	\$41,091,360	\$18,062,129	\$0.7432

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

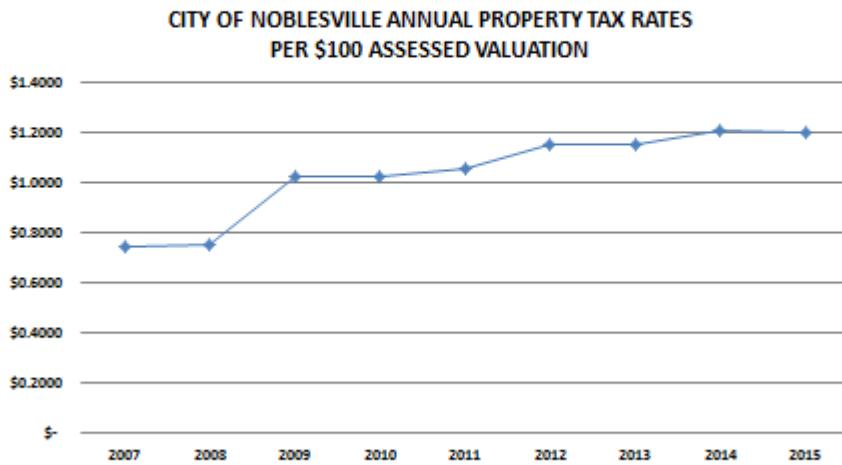
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$43,773,536	\$18,545,181	\$0.7803
Debt Service	\$127,000	\$137,847	\$0.0058
Debt Payment	\$742,000	\$753,405	\$0.0317
Bond #2	\$2,155,000	\$1,048,113	\$0.0441
Lease Rental Payment	\$1,457,484	\$1,547,214	\$0.0651
MVH	\$4,307,934	\$2,184,163	\$0.0919
Thoroughfare Bond	\$530,000	\$484,841	\$0.0204
Fire Building Debt	\$564,000	\$553,765	\$0.0233
Cumulative Fire Special	\$349,277	\$427,801	\$0.0180
Park	\$1,626,868	\$1,787,258	\$0.0752
CCD	\$905,000	\$1,100,400	\$0.0463
Total	\$56,538,099	\$28,569,988	\$1.2021

Source: Department of Local Government Finance Annual Budget Orders

FIGURE 2

The City of Noblesville's 2015 property tax rate of \$1.2021 ranked as the sixth lowest among the eighteen selected municipalities. Noblesville's property tax rate increased by \$0.4589 between 2007 and 2015. This was a 61.7 percent increase. The increase, in cents per \$100 assessed valuation, ranked ninth highest among the selected communities and was the fifth highest as a percentage increase.

The City of Noblesville levies property taxes to support its Motor Vehicle Highway Fund. It has adopted a Cumulative Capital Development fund with a 2014 rate of \$0.0463. The City does not levy property taxes to support its Police and Fire Pension Funds. In 2015, 15.8 percent of its property tax rate is used to support debt service funds.

FIGURE 3

Circuit Breaker Impacts

In 2015, the City of Noblesville lost \$5,155,218 in property tax revenue due to Circuit Breaker credits. That was 18.0 percent of its Certified Property Tax Levy, the fourth highest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 113.6 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Noblesville were \$90 per capita (eighth highest among the eighteen municipalities) and \$217 per \$100 of assessed valuation (seventh lowest). The City of Noblesville lost another \$641,117 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

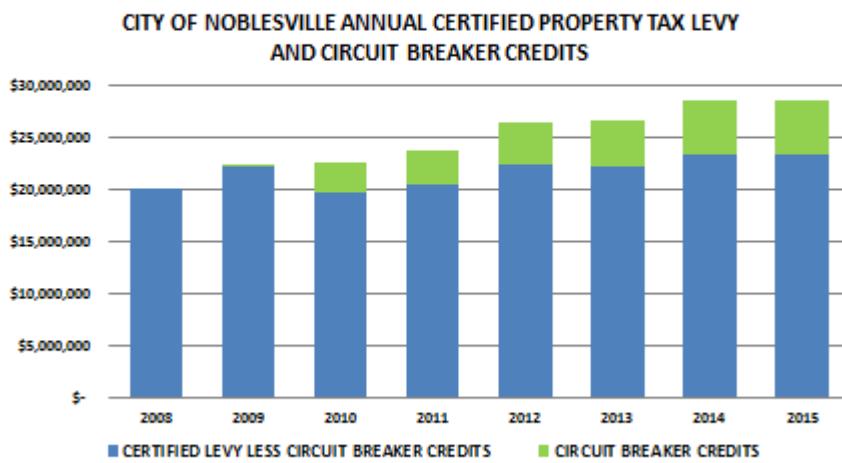
FIGURE 4

FIGURE 5

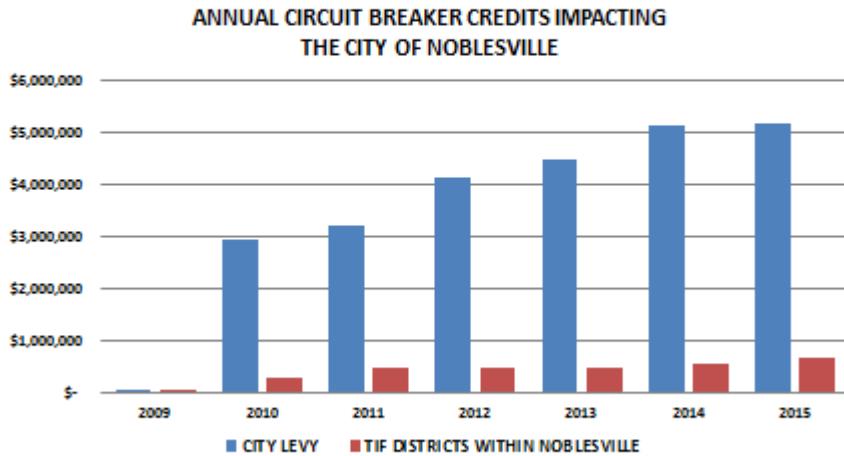
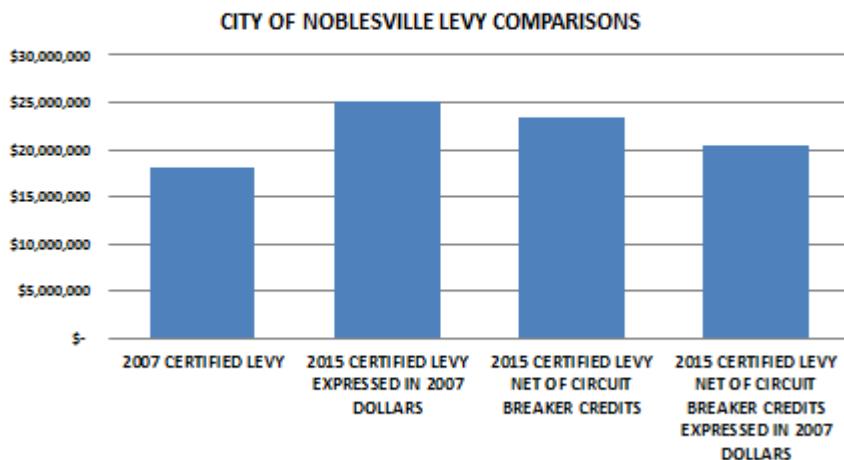


FIGURE 6



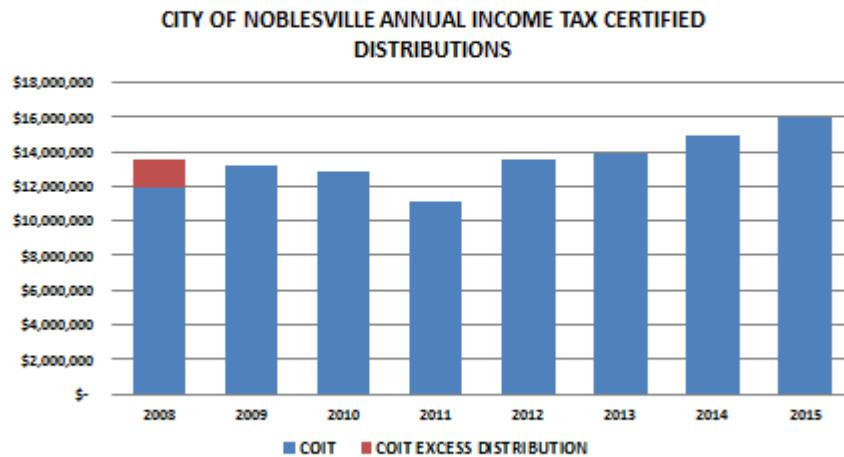
Local Income Taxes

Hamilton County has adopted the County Option Income Tax at a 1.0% rate. It has not adopted either a Property Tax Relief LOIT or the Public Safety LOIT. Neither the City of Noblesville, nor any other entity, controls a majority of the votes in the Hamilton County Income Tax Council.

In 2008, the City of Noblesville received 13,529,747 in local income tax distributions. By 2015 these distributions had increased to \$16,034,385. The 2008 distribution would have needed to be \$14,996,101 in 2015 to keep pace with inflation.

Local income tax revenue represented 40.2 percent of Noblesville's "core income" (certified property tax levy plus income tax revenue) in 2008. This proportion remained relatively static as income tax revenue represented 40.6 percent of "core income" (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7

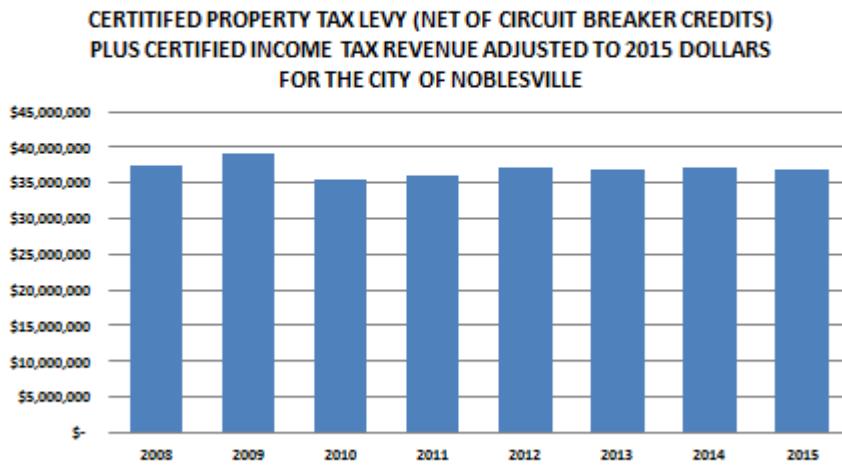


Fiscal Capacity Index

After exploring the changes which have occurred to the property and income tax revenues to the City of Noblesville, 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.

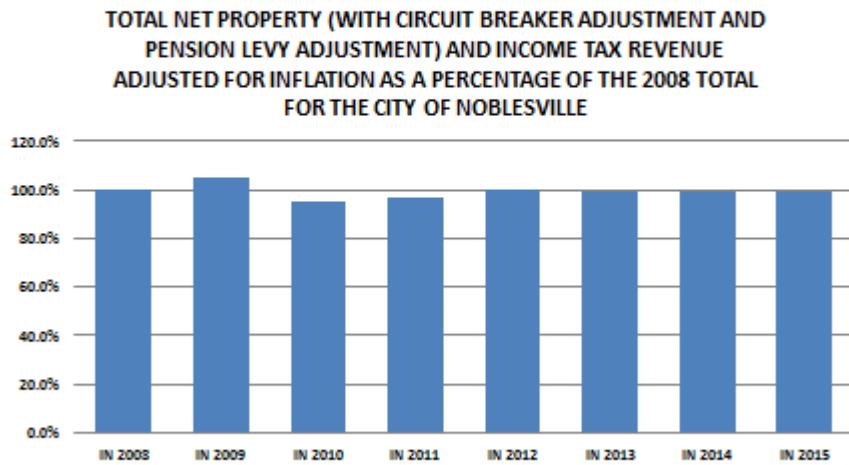
These two sources represent the two key revenue sources for most municipalities. The property tax component has been impacted by the enactment of the property tax caps and by the changes to assessed valuation both occurring through the 2008 legislation to increase homestead deductions and by the recession 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 Noblesville, 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 Noblesville from 2008 through 2015.

FIGURE 8

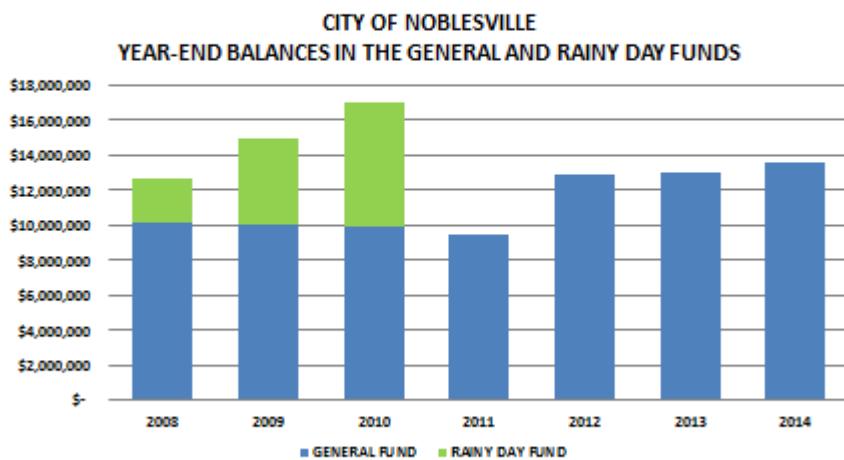
Despite not adopting either a Property Tax Relief LOIT or the Public Safety LOIT, the City of Noblesville's total certified property tax levy, net of circuit breaker, plus income tax revenue was, after adjusting for inflation, 99.6 percent of the 2008 total.¹ This was the ninth highest Fiscal Capacity Index ranking of the eighteen selected municipalities. Between 2009 and 2015 the cumulative gain of core revenue compared with the 2008 total was \$11,920,303. This was the equivalent of 35 percent of 2008 core revenue.

¹ The City of Noblesville had no Police and Fire Pension levies in 2008 and thus the State takeover in 2009 had no impact on this calculation.

FIGURE 9

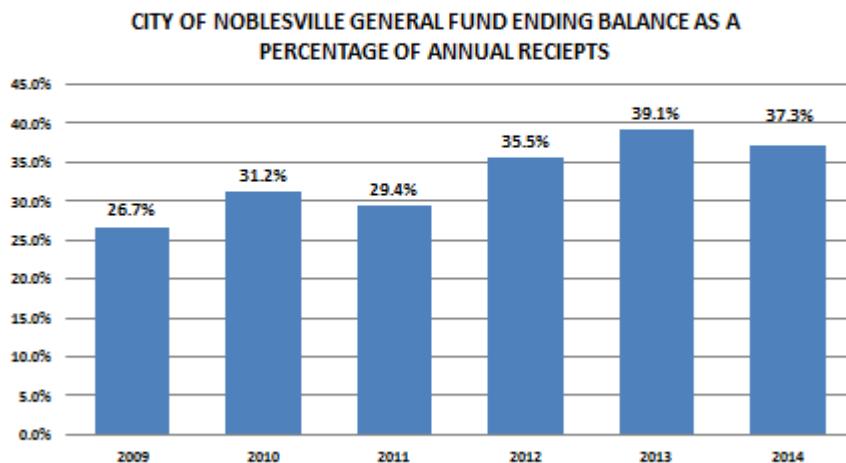
Year-End Balances, Annual Receipts and Annual Disbursements

The 2014 year-end balance, including reserved and obligated funds, in the City of Noblesville's General Fund was \$13,580,608. Its Rainy Day Fund ended 2014 with a balance of \$0. Thus, the combined total balance for both funds at year-end 2014 was \$13,580,608. This was 37.3 percent of annual receipts from both funds combined, ranking as the sixth highest of the eighteen selected municipalities. The combined total represented \$236 per capita, also the fourth highest ranking. The combined General and Rainy Day fund balances decreased by \$1,339,853 between 2009 and 2014. This was the sixth lowest ranking among the selected municipalities.

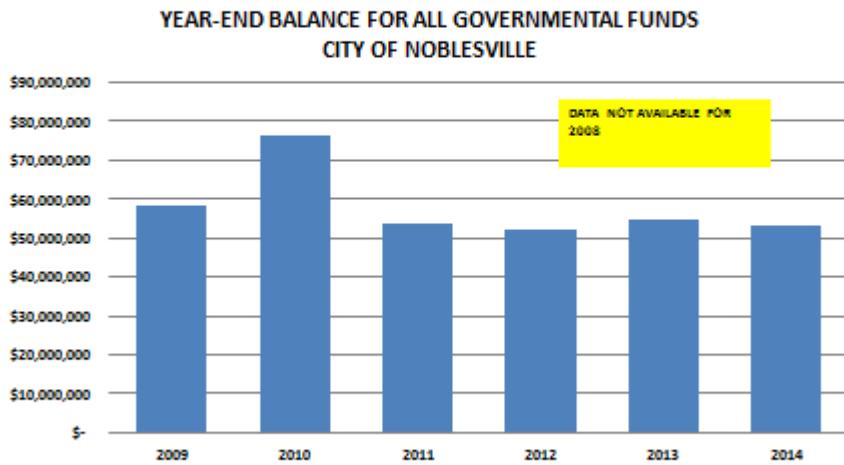
FIGURE 10

The 2014 year-end balance for all Governmental Funds for the City of Noblesville was \$53,436,363. This was \$928 per capita, ranking 6th 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 45.1 percent of the 2014 receipts in those funds. Total disbursements from all Governmental Funds in 2014 were \$119,788,576. Total disbursements from all funds, including Governmental and Enterprise type funds, were \$139,353,991 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$118,409,989. This was \$2,056 per capita, ranking as the fifth highest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 32.3 percent of all Governmental Fund receipts in 2014 for the City of Noblesville.

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 Noblesville was \$3,059,913 and represented 3.6 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 3.9 percent of total annual revenue. Noblesville ranked as the least dependent on Intergovernmental Revenue among the selected municipalities.² The 2011-2012 average annual intergovernmental revenue per capita was \$64, also ranking Noblesville as the lowest among the selected municipalities.

Highway Funding

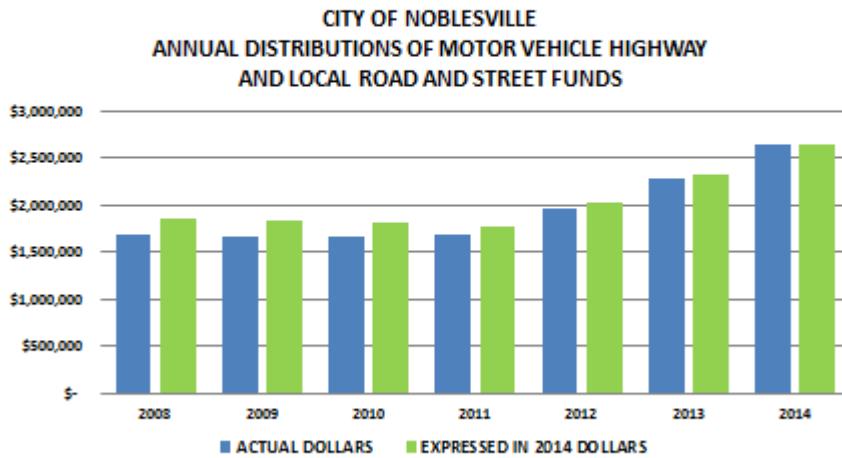
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from 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 Noblesville.

In 2008, the City received a combined total of \$1,678,284 from the MVH and LR&S distributions. By 2012, these distributions had increased to \$1,959,004. 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 Noblesville. By 2014, the first full year that the increase was in effect, Noblesville's combined distributions had increased to \$2,650,400. This was a 57.9 percent increase over the 2008 distributions, ranking as the third highest percentage change among the selected municipalities. After adjusting for inflation, this was a 43.6 percent increase over the 2008 combined MVH and LR&S distributions. The composite inflation adjusted increase for all eighteen selected municipalities was 15 percent.

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

The City of Noblesville does levy property taxes to support its MVH Fund. In 2015, its levy for this fund net of circuit breaker credits was \$1,716,137. It also had a 2015 property tax levy, net of circuit breaker credits, of \$484,535 to make debt service payments on a Thoroughfare Bond.

FIGURE 13



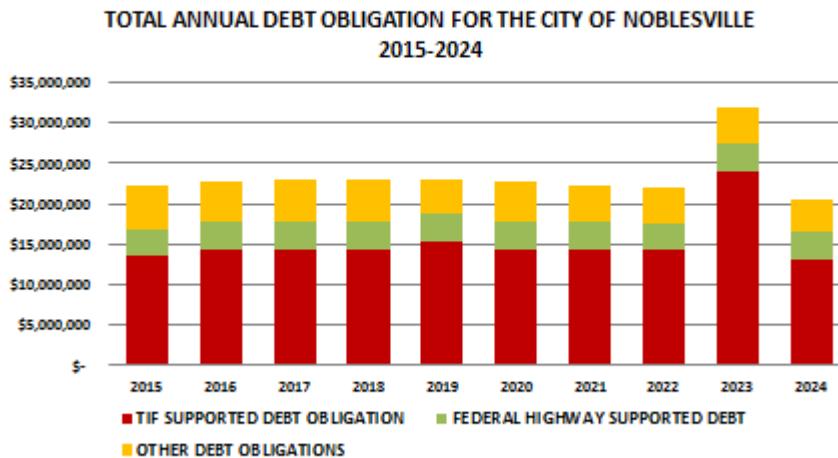
Debt

Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Noblesville had total outstanding debt of \$328,324,596. This was \$5,807 of outstanding debt per capita, ranking as the second highest among the selected municipalities.

Of the total outstanding debt, 21.7 percent was supported by wastewater revenues, no debt was supported by water revenues and 67.0 percent was supported by tax increment finance revenues. The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$653, sixth highest among the selected municipalities.

As of July 1, 2014, the City of Noblesville had \$45,986,161 in outstanding debt supported with County Option Income Tax revenues. This was 2.9 times the City's 2015 total income tax certified distribution. All or a substantial portion of this pledged COIT revenue must be a back-up for other debt as the amount of other outstanding debt plus the amount of CREDIT 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 91.9 percent of the 2015 projected payments. According the IUPUI Public Policy Institute's Fiscal Benchmarking Project, the 2012 Debt Service Ratio for the City of Fort Wayne is 20.1 percent.

Summary Observations

Noblesville has been operating in a very strong economic environment compared to the group of municipalities included in this study. The City ranks third out of eighteen on the Composite Economic Index prepared as a part of this work. Of particular importance, total personal income in Hamilton County has increased by 41 percent between 2006 and 2013, the highest rate of growth among the fifteen counties that contained one or more of the eighteen municipalities.

Between 2007 pay 2008 and 2014 pay 2015 gross assessed valuation in Noblesville increased by 14.0 percent, the sixth highest rate of growth among the selected municipalities. The City's 2014 pay 2015 gross assessed valuation per capita was the third highest among the studied cities. While this study focuses on the revenue side of municipal finance, it must be noted that both the growth in population and in gross assessed valuation indicate an additional demand for expenditures to serve the growing Noblesville community.

The increase in the homestead deductions that were included in HEA 1001-2008 had a significant impact on Noblesville's net assessed valuation. It dropped by 19.5 percent the year those increased deductions went into effect. Only Anderson and Carmel experienced a greater decrease in net assessed valuation between 2007 pay 2008 and 2008 pay 2009. In subsequent years Noblesville's net assessed valuation grew steadily and was 10.5 percent higher in 2014 pay 2015 than it was in 2008 pay 2009. Only seven of the eighteen municipalities experienced any increase in net assessed valuation over this period. Noblesville captured 19.9 percent of its net assessed valuation in tax increment financing districts in 2014 pay 2015, the third highest percentage of the study group.

The City of Noblesville's 2015 property tax rate of \$1.2021/\$100 AV was among the six lowest rates of the eighteen municipalities. The City's property tax rate increased substantially between 2008 and 2012 but has been relatively flat for the past four years. Given the strong growth in net assessed valuation and the increase in the property tax rate, it is not surprising that Noblesville's certified property tax levy increased by 65 percent between 2006 and 2015. This was the third highest rate of increase among the selected cities. The property tax caps reduced Noblesville's actual property tax revenue by 18 percent from its 2015 certified property tax levy. This impact was less than the composite rate of reduction for all eighteen municipalities but higher than that experienced by ten of the other municipalities. The amount of circuit breaker credits impacting the City of Noblesville's property tax revenue has been increasing every year since 2009.

In 2008 Hamilton County had a 1.0 percent County Option Income Tax rate and no other local income taxes. That remained the situation in 2015. In 2008, the City of Noblesville received 13,529,747 in local income tax distributions. By 2015 these distributions had increased to \$16,034,385. The 2008 distribution would have needed to be \$14,996,101 in 2015 to keep pace with inflation. Without any increase in the Hamilton County local income tax rate, the City of Noblesville still experienced enough growth in its income tax revenue to exceed the amount needed to keep pace with inflation. The County's strong growth in total personal income certainly contributed greatly to this situation. The modest impact from the property tax caps coupled with the growth in income tax revenue allowed Noblesville to receive 2015 "core revenue" that was 99.0 percent of its 2008 core revenue after adjusting for inflation. However, as noted previously, there certainly have been expenditure pressures on the City in excess of inflation due to new development and population growth (Noblesville's population grew by an estimated 17,469 residents between 2006 and 2014).

In 2014 the combined year-end balances in Noblesville's General and Rainy Day Funds was \$236 per capita, the fourth highest among the eighteen municipalities. The total amount of the combined balances was also the fourth largest. In 2010, Noblesville's Rainy Day Fund ended the year with a \$7.1 million balance. By the end of 2011 that balance was gone and the City no longer has a balance in its Rainy Day Fund. I did, however, end 2014 with a \$13.6 million balance in its General Fund. That was 37 percent of annual receipts, certainly considered as a healthy fiscal position. In 2014 Noblesville had disbursements per capita from all Governmental Funds of \$2,080. This was the sixth highest of the selected municipalities.

The City of Noblesville's outstanding debt per capita as of July, 2014 was \$5,702, the second highest of the eighteen municipalities. Two-thirds of the outstanding debt was projected to be retired with tax increment finance district captured revenues. The combination of solid cash balances and core revenue that nearly kept pace with inflation placed Noblesville in sixth place in this study's overall Index of Fiscal Health.