



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

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Introduction

This document is a summary of financial information on the City of Carmel 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 Carmel 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 Carmel, along with the City of Fishers, has been functioning in the strongest economic climate of the eighteen selected municipalities.

In 1970, the City of Carmel had 6,691 residents. That total represented 12% of the Hamilton County population. In 2014, the estimated population of Carmel was 86,682. That total represented 29% of the Hamilton County population, an increase of 17 percentage points from 1970. Between 1970 and 2014, Carmel gained 79,991 residents, a 1,196% increase. Between 2006 and 2104, Carmel gained an estimated 26,112 residents for a 43.1 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 2013 was \$17,485,289,027. The per capita GRP was \$58,907 in 2013. This was the highest GRP per capita of the fifteen counties containing our selected municipalities.

Of the eighteen municipalities included in this study, Carmel ranked first 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 265 out of a possible 270 points. This indicates that the City of Carmel 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

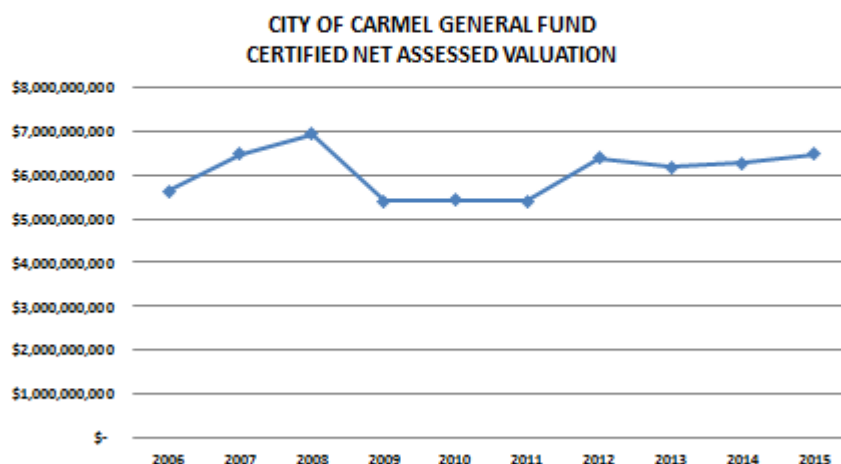
performance and others such as change in gross assessed valuation impact both property tax levies and circuit breaker credits.

Assessed Valuation

The gross assessed valuation for the City of Carmel was \$11,853,384,810 in 2014 pay 2015. This was a 23.6 percent increase over the 2007 pay 2008 gross assessed valuation. Gross assessed valuation was \$136,746 per capita in 2014 pay 2015, ranking first among the eighteen selected municipalities. In 2007 pay 2008 the standard homestead deductions were 9.2 percent while the 2014 pay 2015 combination of the standard and supplemental homestead deductions represented 28.6 percent of Carmel's gross assessed valuation. In 2007 pay 2008 12.0 percent of the city's gross assessed valuation was captured in tax increment financing districts and this increased to 19.7 percent in 2014 pay 2015. Net certified assessed valuation in 2007 pay 2008 was 82.2 percent of gross assessed valuation (less the gross assessed valuation captured in tax increment districts). By 2014 pay 2015, this had fallen to 63.1 percent.

Figure 1 illustrates the changes in net assessed valuation for Carmel from 2005 pay 2006 through the current year. The certified net assessed valuation for the City of Carmel General Fund is \$6,481,570,742 for 2014 pay 2015. That is up from \$5,632,110,240 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 Carmel declined by 21.9 percent, the second largest decline among the eighteen selected municipalities. Between 2008 pay 2009 and 2014 pay 2015, the City of Carmel's net assessed valuation grew by 19.7 percent, the second highest increase among the selected municipalities. Net assessed valuation per capita in Carmel was \$74,774 in 2014 pay 2015, ranking first among the eighteen municipalities. Over the past year, net assessed valuation for the City of Carmel General Fund increased by 3.2 percent. In 2014 pay 2015, 19.7 percent of the City of Carmel's General Fund net assessed valuation was captured by tax increment financing districts. This was the fourth highest percentage among the twenty selected municipalities.

FIGURE 1



In 2006 pay 2007, the City of Carmel’s certified net assessed valuation was 31.9 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 35.4 percent.

Annual Property Tax Certified Budgets, Levies and Rates

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

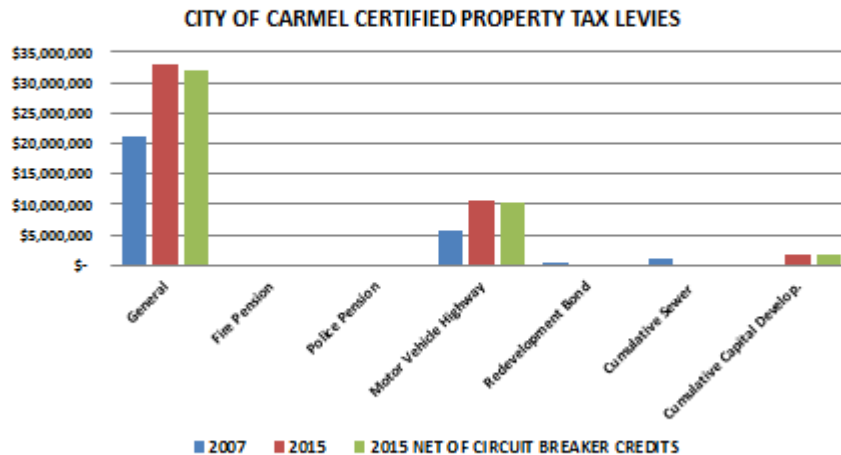
Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$53,692,295	\$21,172,482	\$0.3268
MVH	\$8,333,098	\$5,759,589	\$0.0889
Redevelopment Bond	\$776,218	\$38,872	\$0.0006
Cumulative Sewer	\$950,000	\$1,075,469	\$0.0166
Total	\$63,751,611	\$28,046,412	\$0.4329

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

Fund	Budget	Certified Levy	Rate/\$100 AV
General	\$71,637,690	\$32,978,232	\$0.5088
MVH	\$15,260,974	\$10,649,221	\$0.1643
CCD	\$1,888,818	\$1,788,914	\$0.0276
Total	\$88,787,482	\$45,416,367	\$0.7007

Source: Department of Local Government Finance Annual Budget Orders

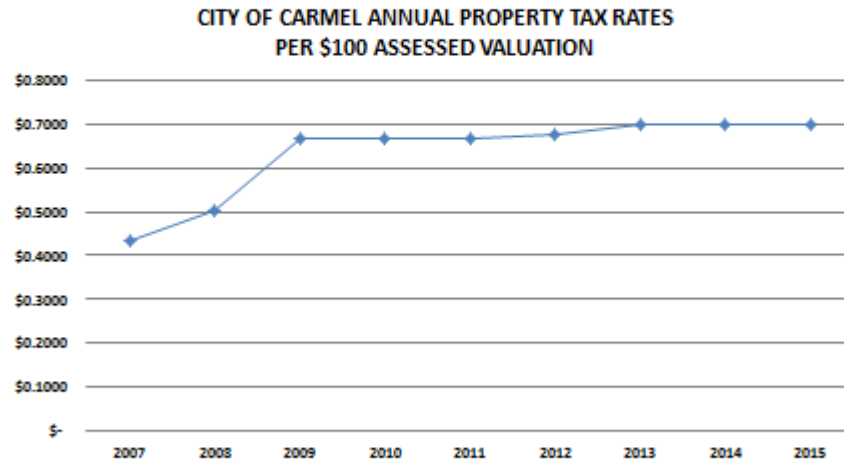
FIGURE 2



The City of Carmel’s 2015 property tax rate of \$0.7007 ranked as the third lowest among the eighteen selected municipalities. Carmel’s property tax rate increased by \$0.2678 between 2007 and 2015. This was a 61.9% increase. The increase, in cents per \$100 assessed valuation, ranked sixth lowest among the selected communities but was fourth highest as a percentage increase.

The City of Carmel does levy property taxes for its Motor Vehicle Highway Fund. It has a Cumulative Capital Development Fund at a rate of \$0.0276. It does not levy property taxes for either its Police or Fire Pension Funds. In 2015, it did not levy property taxes to support debt service funds.

FIGURE 3



Circuit Breaker Impacts

In 2015, the City of Carmel lost \$1,132,485 in property tax revenue due to Circuit Breaker credits. That was 2.5 percent of its Certified Property Tax Levy, the second lowest among the selected municipalities. After adjusting for inflation, the 2015 total Certified Levy net of Circuit Breaker Credits was 138.4 percent of its 2007 Certified Levy. In 2015 Circuit Breaker Credits allocated to the City of Carmel were \$13 per capita (second lowest among the eighteen municipalities) and \$17 per \$100 of assessed valuation (also second lowest). The City of Carmel lost another \$1,422 in property tax revenue due to the Circuit Breakers in its tax increment financing districts.

FIGURE 4

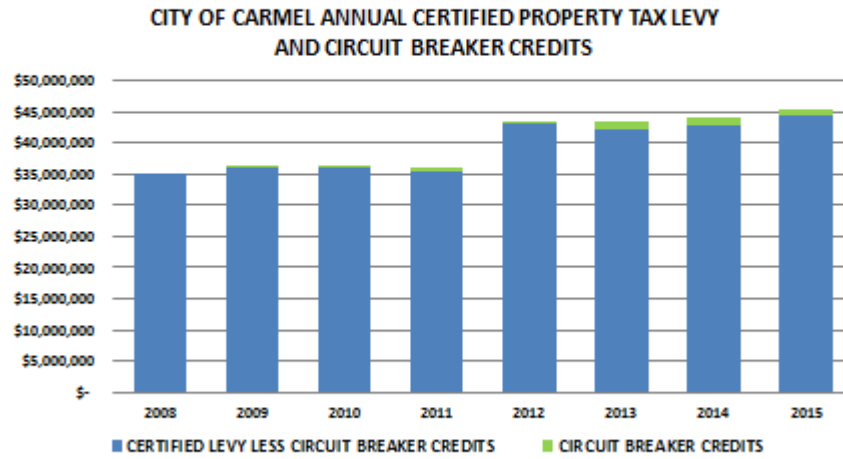


FIGURE 5

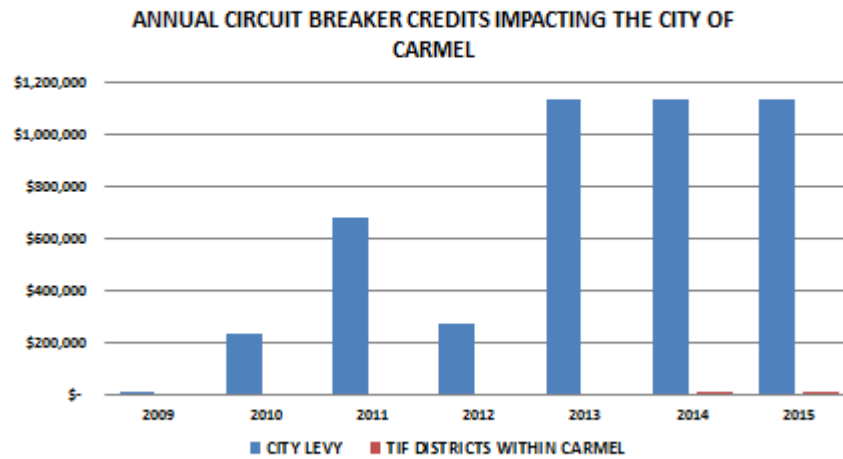
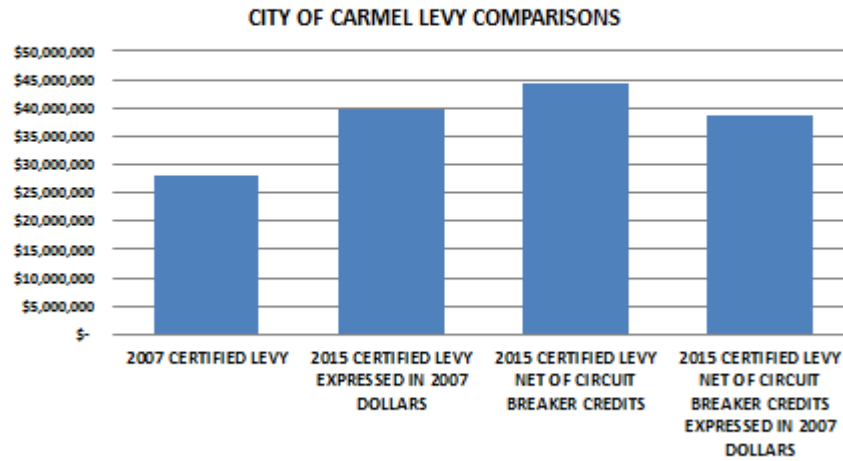


FIGURE 6



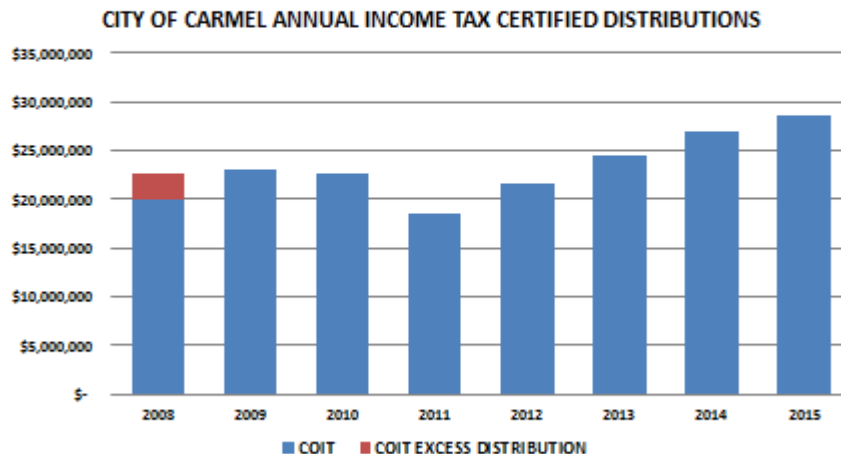
Local Income Taxes

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. The City of Carmel, nor any other entity, controls a majority of the votes in the Hamilton County Income Tax Council.

In 2008, the City of Carmel received \$ 22,671,154 in local income tax distributions. By 2015 these distributions had increased to \$28,585,760. The 2008 distribution would have needed to be \$25,055,330 in 2015 to keep pace with inflation.

Local income tax revenue represented 39.4 percent of Carmel’s “core income” (certified property tax levy plus income tax revenue) in 2008. This proportion remained nearly static as income tax revenue represented 39.2 percent of “core income” (certified property tax levy less circuit breaker credits plus income tax revenue) in 2015.

FIGURE 7



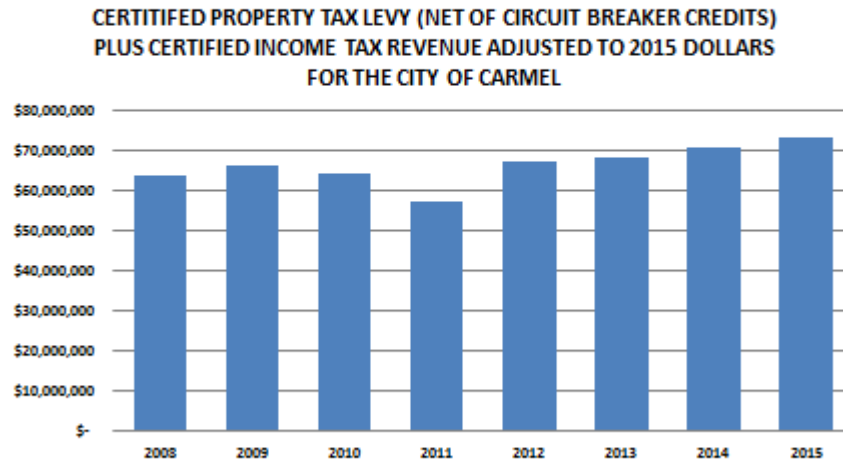
Fiscal Capacity Index

After exploring the changes which have occurred to the property and income tax revenues to the City of Carmel, 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 Carmel, 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 Carmel from 2008 through 2015.

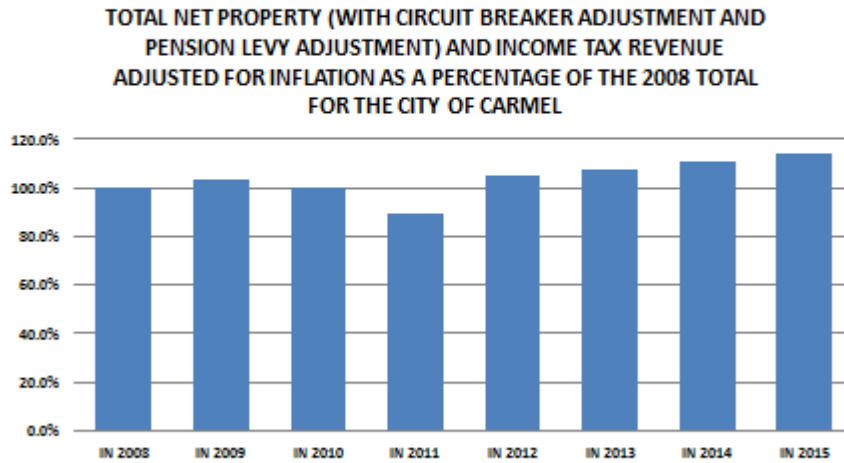
FIGURE 8



Despite not adopting either a Property Tax Relief LOIT or the Public Safety LOIT, the City of Carmel's total certified property tax levy, net of circuit breaker, plus income tax revenue was, after adjusting for inflation, 114.2 percent of the 2008 total.¹ This was the third 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 \$42,586,895. This was the equivalent of 74 percent of 2008 core revenue.

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

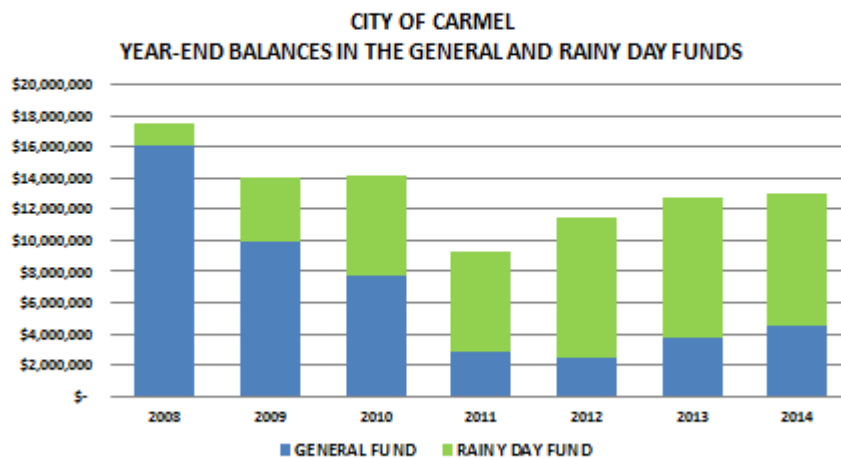
FIGURE 9



Year-End Balances, Annual Receipts and Annual Disbursements

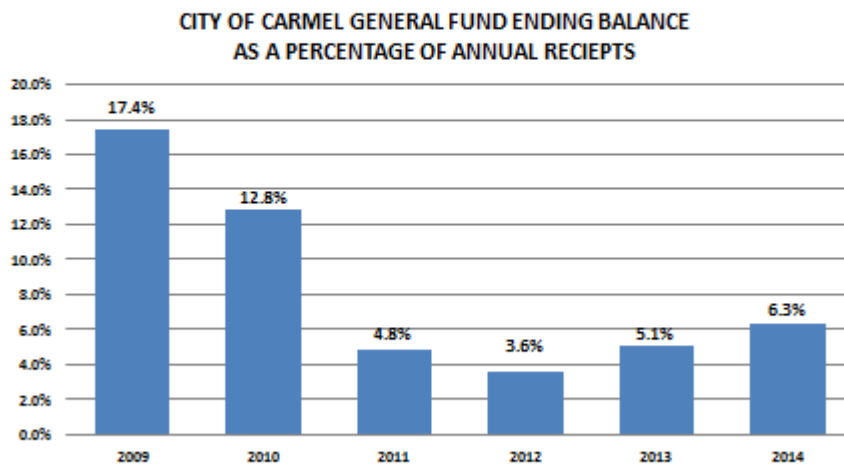
The 2014 year-end balance, including reserved and obligated funds, in the City of Carmel’s General Fund was \$4,549,035. Its Rainy Day Fund ended 2014 with a balance of \$8,475,375. The combined total balance for both funds at year-end 2014 was \$13,024,410. This was 18.0 percent of annual receipts from both funds combined, ranking as the 10th highest of the eighteen selected municipalities. The combined total represented \$150 per capita, also the 8th highest ranking. The combined General and Rainy Day fund balances decreased by \$1,048,176 between 2009 and 2014. This was the 12th highest ranking among the selected municipalities.

FIGURE 10



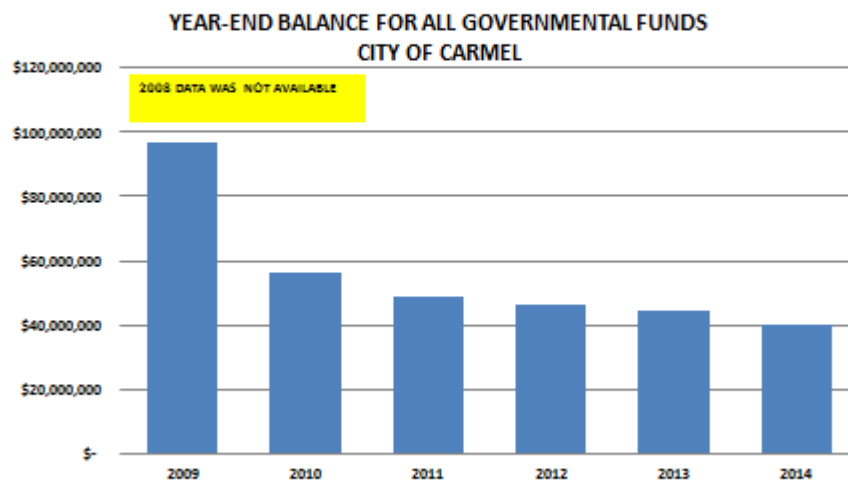
The 2014 year-end balance for all Governmental Funds for the City of Carmel was \$39,811,220. This was \$459 per capita, ranking fourth lowest among the selected municipalities. The year-end balance for all Governmental Funds was 20.5 percent of the 2014 receipts in those funds. General Fund disbursements represented 35.9 percent of all Governmental Fund disbursements in 2014. Total disbursements from Governmental Funds in 2014 were \$ 198,821,225. Total disbursements from all funds, including Governmental and Enterprise type funds, was \$250,294,220 in 2014.

FIGURE 11



Total receipts from all Governmental Funds in 2014 were \$193,958,063. This was \$2,238 per capita, ranking as the fourth highest among the selected municipalities. Core revenue (certified property taxes net of circuit breaker credits plus certified income tax distributions) represented 36.0 percent of all Governmental Fund receipts in 2014 for the City of Carmel.

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 Carmel was \$28,288,664 and represented 18.6 percent of total revenue. Intergovernmental revenue in 2011-2012 averaged 11.3 percent of total annual revenue. Carmel was the 11th most dependent on Intergovernmental Revenues among the selected municipalities.² The 2011-2012 average annual intergovernmental revenue per capita was \$202, ranking Carmel as the 12th highest among the selected municipalities.

Highway Funding

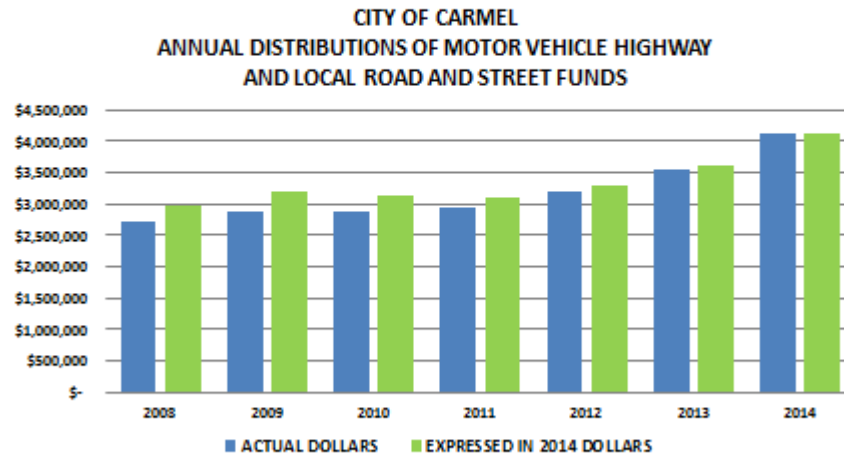
The distribution of state taxes on fuel back to local governments has traditionally been the primary revenue source to support municipal road maintenance and enhancements. While most municipalities have found it necessary to supplement this source with other revenues, particularly as distributions from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

In 2008, the City received a combined total of \$2,717,021 from the MVH and LR&S distributions. By 2012, these distributions had increased to 3,187,210. 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 Carmel. By 2014, the first full year that the increase was in effect, Carmel's combined distributions had increased to \$4,130,469. This was a 52.0 percent increase over the 2008 distributions, ranking as the fourth highest percentage change among the selected municipalities. After adjusting for inflation, this was a 38.3 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 Carmel does levy property taxes to support its MVH Fund. In 2015, its levy for this fund net of circuit breaker credits was \$10,383,676.

FIGURE 13



Debt

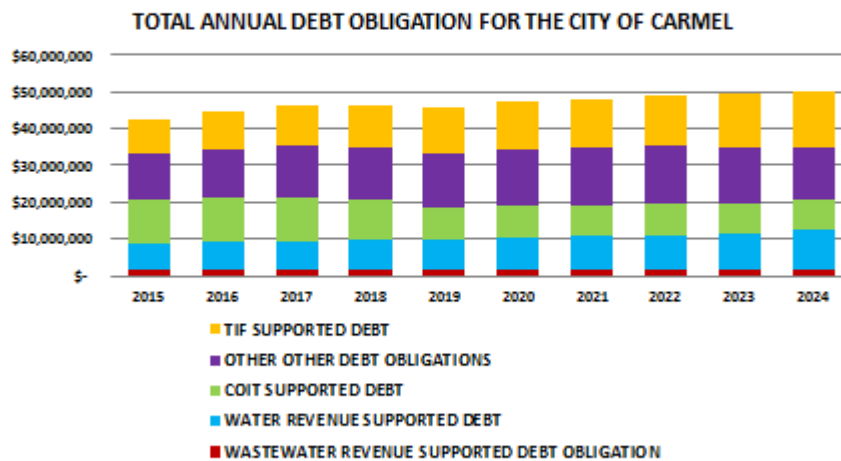
Per information available on the Indiana Gateway database, as of July 1, 2014, the City of Carmel had total outstanding debt of \$908,795,295. This was \$10,576 of outstanding debt per capita, ranking highest among the selected municipalities.

Of the total outstanding debt, 3.1 percent was supported by wastewater revenues, 23.9 percent was supported by water revenues and 26.2 percent was supported by tax increment finance revenues.

The total outstanding debt per capita, excluding debt supported by wastewater, water and TIF revenues was \$4,945, highest among the selected municipalities.

As of July 1, 2014, the City of Carmel had \$127,420,686 in outstanding debt supported with County Option Income Tax revenues. This was 4.46 times the City's 2015 total COIT certified distribution.

FIGURE 14



The 2024 projected total debt payments of all current outstanding debt is 117.3 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 Carmel is 20.0 percent.

Summary Observations

Carmel, and its fellow Hamilton County municipality of Fishers, has been operating in the strongest economic climate among the eighteen cities included in this study. This is considered a very strong economic climate in comparison with that within which most of Indiana's municipalities have been functioning.

The City of Carmel's 24 percent growth in gross assessed valuation between 2007 and 2015 ranks third among the selected municipalities. Its 2015 gross assessed valuation per capita of \$136,746 was top among the cities included in the study and was \$35,000 per resident higher than the second ranked municipality (Fishers). Due to the relatively high value of residential properties in Carmel, it would be expected that the City would have experienced a major reduction in its net assessed valuation when the increased homestead deductions enacted in HEA 1001-2008 became effective. Indeed, this was the case. Carmel experienced a 22 percent reduction in its net assessed valuation between 2007 and 2015. This was the second highest percentage reduction among the selected municipalities. However, unlike many of the municipalities included in this study, Carmel's net assessed valuation climbed from 2008 through the current year. The nearly 20 percent increase over that period was second only to Fishers. Carmel's 2015 net assessed valuation per capita ranks first among the selected municipalities. The percentage of net assessed valuation in Carmel captured by tax increment financing districts has grown from 12 percent in 2007 to nearly 20 percent in 2015.

Carmel's 2015 property tax rate of \$0.7007/\$100 AV ranked as the third lowest among the selected municipalities. It has maintained this rate for the past three years. Carmel's certified property tax levy has increased by 34.5 percent since 2006, just slightly above the rate of increase for the composite of all

eighteen municipalities. The City's property tax revenue has experienced a relatively low impact from the circuit breaker credits. Its 2015 credits represented only 2.5 percent of its certified levy, the second lowest percentage among the selected municipalities.

The City of Carmel has also benefited from the strong growth in total personal income in Hamilton County. While the county's local income tax rate of 1.0 percent has remained constant over the 2008-2015 period, Carmel's certified income tax distributions have been growing. In 2008, the City of Carmel received \$ 22,671,154 in local income tax distributions. By 2015 these distributions had increased to \$28,585,760. The 2008 distribution would have needed to be \$25,055,330 in 2015 to keep pace with inflation.

The combination of a growing property tax base, a low property tax rate, and increasing income tax revenue has facilitated a healthy growth in Carmel's "core revenue". Its 2015 core revenue was 114.5 percent of its 2008 core revenue after adjusting for inflation. This was the third highest Fiscal Capacity Index ranking of the eighteen municipalities. Of course, as a growing community the City of Carmel will also have a corresponding increase in the cost of providing services to its expanded residents and businesses.

The City of Carmel has built and then maintained a healthy Rainy Day Fund year-end balance over the past six years. It ended 2014 with approximately \$8.5 million in this fund. Carmel did draw down on its General Fund balance in 2009 through 2012 but has been modestly increasing this balance over the last two years. The combined General and Rainy Day Funds ended 2014 with a balance that represents 18 percent of annual receipts. Carmel's 2014 disbursements per capita from all Governmental Funds of \$2,294 were the fifth highest among the eighteen municipalities.

The City of Carmel had \$10,484 per capita in outstanding debt as of July, 2014. This was significantly higher than any of the other seventeen municipalities. The strong economic climate, low circuit breaker impact, growing income tax revenue, and substantial Rainy Day Fund balance all helped Carmel enjoy a third highest ranking in this study's Index of Overall Fiscal Health.