

The Finance Committee of Franklin City Schools met at the Hampton Bennett Building in the Board Conference Room on Wednesday, August 20, 2008, at 6:00 p.m.

Roll By Sign-In

Present: Board Co-Chairs: Mrs. Lori Raleigh Mr. Chris Sizemore
Mr. Arnol Elam, Superintendent and Mrs. Jana Bellamy, Treasurer
Mr. Cicero Feltner, Mr. Ian Madden, Mr. Ron Ruppert

Absent: Mr. Denny Centers, Mrs. Amy Creech, Mr. Gary Myers

Staff: Mrs. Jean Creech, Technology Director

Guest: Mrs. JoAnn Feltner, Board Member
Mr. John Griffo, Board Member
Mr. John Lazarus, Warren County ESC Superintendent, MRDD Interim Superintendent
Mrs. Bonnie Milligan, Warren County ESC Treasurer
Mr. Nick Nelson, Warren County Auditor

Press: Ms. Meagan Engle

Discussion Items:

I. Presentation by Treasurer, Mrs. Jana Bellamy

Mrs. Bellamy said on August 6, 2008, Franklin City Officials met with Mr. Elam, myself and Mr. Nelson. During the meeting, the City expressed they were considering withdrawal from the township. As a result of that meeting, everyone agreed that more research was necessary to look into the topic and see what the results would be. Therefore, I have prepared this presentation to review the information and the affect it would have on the governments in our school district, the schools itself and taxpayers with each of the options that might be available, which are a multitude of options. Mr. Nelson, our Warren County Auditor, is here to help answer some of the questions we may have regarding these options.

Mrs. Bellamy said many of the people in the room are already familiar with a lot of this information, because we have had several discussions on this topic. We have an advanced audience who are knowledgeable of the topic. So, I may go over the information rather quickly. Basically, we are going to discuss inside millage. There is only one other type of millage and that is outside or "voted" millage. Inside millage can be levied up to ten mills and it is divided over the different local governments.

There are five different corporations or taxing subdivisions in the Franklin City School District. I have highlighted the school district millage on the chart. The school's rate must be uniform across all of the five different areas. We are currently collecting 4.03 mills.

Current Inside Millage Distribution

CURRENT INSIDE MILLAGE COLLECTION RATES					
	Franklin	Franklin			
Governments:	City	Township	Carlisle	Middletown	Springboro
County	1.50	1.50	1.50	1.50	1.50
Schools	4.03	4.03	4.03	4.03	4.03
Township	0.70	1.62	0.70	0.70	1.01
City Corporation	2.70		1.81	2.70	2.39
Total Mills	8.93	7.15	8.04	8.93	8.93

There are five different “corporations” within the Franklin City School District. Each corporation has inside millage. The millage (up to 10 mills) is divided among the governmental entities.

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The county is allocated 2.57 inside mills, but they are only collecting 1.5 mills, which is shown on the chart. When you include the 1.07 mills the county is not collecting, the City of Franklin, Middletown and Springboro would be collecting at the 10-mill limitation.

Mrs. Bellamy said I would like to explain a little about the history of inside millage. In 1935, a “minimum mandate” was established based on actual usage from 1929 through 1933. The next two charts provide the collected millage in comparison to the “minimum mandate” millage in each of the taxing subdivisions in the Franklin City School District.

If you look at the chart in the top left corner, this provides the comparison for the City of Franklin. You will see the county has an allocation (they are only collecting 1.5 at this time) and the mandate is 2.55. The schools are collecting 4.03, township 0.70 and City is collecting 2.70. We are collecting/allocated 10 inside mills in the City of Franklin. However, the mandate is 9.45 mills. The difference is 0.55 mills. The Finance Committee has previously discussed this millage and the possibility of claiming the 0.55 mills. The Board of Education has not requested this millage in the past, because the City provides valuable services specifically in the park and a resource officer. If we were to claim that 0.55 mills, it would generate \$234,531 annually in a PI fund. We have not done so.

Each year, the Franklin Board of Education approves resolution adopting the tax budget with the stipulation that, “Franklin City School District is not request a change in the allocation of inside millage rate presently in effect, but the Board of Education does request any allowable unclaimed millage if there are adjustments to other governmental entities inside millage rates.”

The charts also provide information of the township and the mandate in that area as well as Carlisle, Springboro and Middletown. Our school district covers all of these corporation areas.

History of Inside Millage

In 1935, a “Minimum Mandate” was established based on actual usage from 1929 through 1933.

CITY	Franklin	Franklin	+/-
Corporation:	City	City	Mandated
		Mandate	Difference
County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10
Township	0.70	0.68	0.02
Corporation	2.70	2.09	0.61
Total Mills	10.00	9.45	0.55

Available mills after mandate

TOWNSHIP	Franklin	Franklin	+/-
Corporation:	Township	Township	Mandated
		Mandate	Difference
County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10
Township	1.62	1.43	0.19
Corporation			0.00
Total Mills	8.22	8.11	0.11

Not Collecting full 10 mills

CARLISLE	Carlisle	Carlisle	+/-
Corporation:	Carlisle	Mandate	Mandated
			Difference
County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10
Township	0.70	0.68	0.02
Corporation	1.81		1.81
Total Mills	9.11	7.36	1.75

Not Collecting full 10 mills

SPRINGBORO	Springboro	Springboro	+/-
Corporation:	Springboro	Mandate	Mandated
			Difference
County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10
Township	1.01	1.04	-0.03
Corporation	2.39	1.05	1.34
Total Mills	10.00	8.77	1.23

Available mills after mandate

History of Inside Millage, Continued

One more corporation area lies within the Franklin City School District:

MIDDLETOWN	Middletown	Middletown	+/-
Corporation:	Middletown	Mandate	Mandated
			Difference
County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10
Township	0.70	0.68	0.02
Corporation	2.70	2.64	0.06
Total Mills	10.00	10.00	0.00

The “Mandated Difference” for the Schools in all municipalities is .1 mill.
The current “free” or available millage after mandate is .55.

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This next slide is a little busy, but it shows the current rates and estimated rates if the City were to withdraw from the Township and claim additional free millage. I have highlighted the millage that would become “free millage” if the City were to withdraw from the Township. This would become free millage because upon the withdrawal, the township would not be collecting that millage. The collection of this millage in the City corporation would be \$144,605 annually for real property. I did not include personal property, because of the tangible personal property tax phase out. The tax rate

of the City upon withdrawal and claiming the free millage would increase from 2.7 to 3.4 mills, with a 10-mill collection.

One item I would like to point out is that the school district, probably since 1935, has been collecting 0.10 less than the mandate, which is the only governmental entity collecting less than the mandate.

Mrs. Bellamy noted the township has a mandate of 0.68 in the City of Franklin and asked Mr. Nelson if the withdrawal would take that mandate away.

Mr. Nelson said yes.

Mrs. Raleigh asked, the withdrawal will take the mandate away?

Mr. Nelson said yes, right now everyone within the City is also a part of Franklin Township. So, you are subject to the Township general fund levy. The withdrawal from Franklin Township would create a “paper township” that would be the same boundaries as the City. Franklin Township can not levy a tax outside its boundary. So, it moves their boundary to outside the corporate limits. They no longer have the authority to levy a tax inside the City.

City of Franklin – Inside Mills

<u>CURRENT RATES IN CITY CORP.</u>				<u>WITHDRAWAL FROM TOWNSHIP</u>			
CITY Corporation	Franklin City	Franklin City Mandate	+/- Mandated Difference	CITY Corporation	Franklin City	Franklin City Mandate	+/- Mandated Difference
County	2.57	2.55	0.02	County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10	Schools	4.03	4.13	-0.10
Township	0.70	0.68	0.02	Township		0.68	-0.68
Corporation	2.70	2.09	0.61	Corporation	3.40	2.09	1.31
Total Mills	10.00	9.45	0.55	Total Mills	10.00	9.45	0.55

Currently, the Township collects 0.7 mills within the City Corporation.

Withdrawal would “free” 0.7 mills within the City Corporation.

	Property Values	Millage	Estimated Collection
Total Real	\$ 206,579,240	0.0007	\$ 144,605
Total Personal	\$ 25,552,885	0.0007	\$ 17,887
TOTALS	\$ 232,132,125	0.0007	\$ 162,492

The City of Franklin would receive \$144,605 annually. However, the Township would lose this revenue.

*2007 Tax Year values 6

Mr. Feltner noted that the withdrawal would not directly affect Carlisle.

Mr. Nelson said it would not affect Carlisle, directly.

Mrs. Feltner said indirectly it would, though.

Mr. Nelson said it might.

Mrs. Feltner asked would it affect any of our schools that are in the township and not in the city?

Mr. Nelson said no.

Mrs. Bellamy said what I see as the basic point is that upon withdrawal and the claim of free millage by the city, is that the Township would lose \$144,605 and the City would gain that amount on an annual basis.

Mrs. Bellamy said the next slide begins a look of how this might affect the school district. The left side shows the current rate within the City. On the right, it shows that if the school were to claim the 0.70 free millage, our rate will increase from 4.03 to 4.73 mills. But remember earlier, I said there were five different subdivisions in the school district.

Schools – Inside Mills

<u>CURRENT RATES IN CITY CORP</u>				<u>WITHDRAWAL FROM TOWNSHIP</u>			
CITY Corporation	Franklin City	Franklin City Mandate	+/- Mandated Differenc	CITY Corporation	Franklin City	Franklin City Mandate	+/- Mandated Differenc
County	1.50	2.55	-1.05	County	2.57	2.55	0.02
Schools	4.03	4.13	-0.10	Schools	4.73	4.13	0.60
Township	0.70	0.68	0.02	Township	0.70	0.68	-0.68
Corporation	2.70	2.09	0.61	Corporation	2.70	2.09	0.61
Total Mills	8.93	9.45	-0.52	Total Mills	10.00	9.45	0.55

The City of Franklin and the School District would both be able to request the “Free Millage”. The taxpayers in the City Corporation would not be effected by either claim of free millage.

However, the school district has four other “corporation” areas: (1) Franklin Township; (2) Carlisle; (3) Springboro; and (4) Middletown. 7

The four additional areas are Franklin Township, Carlisle, Springboro and Middletown. The school’s tax rate would need to be uniform across all of these subdivisions. So, we will also have to look at the affect on these corporation areas.

Mrs. Bellamy said this slide provides the current tax rates at the top and projected rates at the bottom, if the school district were to claim the 0.70 mills. I have color coded them. The Franklin corporation, Springboro and Middletown are all at the 10-mill limitation. So, if the school district were to claim the 0.70 mills, those corporations would lose the money and millage. However, the Township and Carlisle are not collecting 10-mills; so, those taxpayers would see an increase.

Schools – Inside Mills Continued

Current Tax Rates:

Governmental Entity	CORPORATION AREAS				
	Franklin Corporation	Township Corporation	Carlisle Corporation	Springboro Corporation	Middletown Corporation
County	2.57	2.57	2.57	2.57	2.57
Schools	4.03	4.03	4.03	4.03	4.03
Township	0.70	1.62	0.70	1.01	0.70
City of Franklin	2.70		1.81	2.39	2.70
	10.00	8.22	9.11	10.00	10.00

Projected Tax Rates:

Governmental Entity	CORPORATION AREAS				
	Franklin Corporation	Township Corporation	Carlisle Corporation	Springboro Corporation	Middletown Corporation
County	2.57	2.57	2.57	2.57	2.57
Schools	4.73	4.73	4.73	4.73	4.73
Township		1.62	0.70	1.01	0.70
City Corporations	2.70		1.81	1.69	2.00
	10.00	8.92	9.81	10.00	10.00

Corporation loses \$ Increase to taxpayers Corporations lose \$

Mrs. Bellamy said the next slide illustrates the dollar affect on the governments and taxpayers. If the school claims the millage, Springboro would lose \$25,390 annually. Middletown would lose \$36,614 annually. It would be a collection of an estimated \$298,494 annually for the school district. The taxpayer increases for the Township and Carlisle lists an overall taxpayer increase. The small chart at the bottom left shows the individual taxpayer cost per \$100,000 home value of \$21.44 annually, including rollbacks. If the school district were to claim the 0.70 mills, the residents of Carlisle and the Township would see an increase of \$21.44 per year on a \$100,000 home value.

Schools – Inside Mills Continued

	Real Property Values	"Free Millage"	Real Property Collection	
City of Franklin	206,579,240	0.7	\$ 144,605	
Franklin Township	129,610,030	0.7	\$ 90,727	Taxpayer Increase
Carlisle Corporation	1,653,520	0.7	\$ 1,157	Taxpayer Increase
Springboro Corporation	36,271,650	0.7	\$ 25,390	Springboro Loses
Middletown Corporation	52,305,440	0.7	\$ 36,614	Middletown Loses
	426,419,880		\$ 298,494	

Home Value	Annual Increase
\$ 100,000	\$ 21.44
\$ 150,000	\$ 32.16
\$ 200,000	\$ 42.88
\$ 250,000	\$ 53.59

Franklin Township and Carlisle residents in the FCSD would see a tax increase of \$21.44 per \$100,000 home value.

The next slide brings into play the legislation the school has to deal with regarding this topic. We have estimated the annual revenue on this free millage would be \$298,494, but I want to note that we can not put that in our operating fund, because if we did, it would raise us above the 20-mill floor. When values increase, millage will decrease us back to the 20-mill floor again. The TPP phase out is taking away the operating inside millage advantage.

Schools – Inside Mills Continued

If the school district claims inside millage, the gross estimated annual revenue is \$298,494.

However.....

- ❖ **The effects of HB920 would reduce the millage back to the 20-mill floor within a short period of time.**
- ❖ **The Tangible Personal Property tax phase out eliminates any positive effect the “free millage” would have previously provided.**

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Mrs. Bellamy the next slide points out there is only one method, which would provide an advantage to the district claiming the free inside millage and that is to move the free inside mills to a permanent improvement fund, which is not counted toward the 20-mill floor. To do this, we would have to follow O.R.C. 5705.314.

Mr. Feltner said but, you can do it.

Mrs. Bellamy said yes.

Is there any advantage for the school to claim inside millage?

There is only one method which would provide an advantage to claiming “free” inside millage.

➤ To move the “free” inside millage to permanent improvement fund

O.R.C. 5705.314 requires a board of education to take certain steps prior to any change in the inside millage which would result in an increase in the amount of real property taxes levied.

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Mrs. Bellamy said this next chart shows a graphic of the mechanics. The left column shows the current 20-mill floor comprised of 4.03 inside mills and 15.97 outside mills. Many types of levies are included in the 20-mill floor, but bond issues, emergency levies and permanent improvement levies are not included in the “floor” calculation.

If the district were to claim the 0.70 millage for operating, it would take us above the 20-mill floor. As values increase, our rate would decrease back down to the floor. However, if we claim the millage (follow the arrow) and move the millage to a permanent improvement fund, we could use this money for permanent improvements, which include fixed assets with a useful life of five years or more. This could be used for buses, buildings, building improvements, technology and textbooks. We all know that we have included a lot of these expenditures in our general fund budget. We could make good use of this money.

Local Tax Rates (Millage)

<u>Current Rates</u>	<u>Rates + 0.7 Inside Mills</u>	<u>Permanent Improvement Fund</u>
20-Mill Floor	20-Mill Floor ↓	0.70
15.97 Mills	15.27 Mills	Permanent Improvement
Outside (voted) Millage	Outside (Voted) Millage	<p>The Permanent Improvement Fund would not be subject to any reduction factor. The levy collection could only be expended for permanent improvements such as buses, buildings, improvements, technology, etc. (fixed assets with useful life of 5 or more years).</p>
4.03	4.73	
Inside Millage	Inside Millage	
District is at 20-mill floor.	As values increase, rates decrease until the 20-mill floor is hit.	

So, let's summarize the affects that we have seen so far.

What effect would this have on the schools, city, township and homeowners?

- Franklin City Schools would receive an additional \$298,494 annually for permanent improvements.
- The Franklin Township would see a reduction in their tax collections of approximately \$144,605.
- The City of Middletown would see a reduction in revenue of \$36,614 and Springboro would be reduced by \$25,390
- The Franklin Township and Carlisle Corporation residents would see an increase of 0.7 mills. This would cost the owner of a \$100,000 home approximately \$21.44 per year after rollbacks.

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Mrs. Feltner asked Mr. Ruppert if the loss of revenue (\$144,605) would also cause a millage increase in the township.

Mr. Ruppert said yes, we would lose the revenue and the township residents would see a tax increase.

Mr. Griffo pointed out that the loss of revenue could also cause a requested increase by the township upon the residents to recoup the lost revenue.

Mrs. Raleigh said I would just like to make it clear that we are only reviewing the information. In the past, the board has chosen not to claim free millage or affect anyone. We are only here because of the City's consideration of withdrawal.

Mrs. Bellamy said we have other information to consider. Many of you know that in 2002, MRDD passed a 4-mill levy. That is a continuing levy, correct Nick?

Mr. Nelson said yes.

Mrs. Bellamy said after their levy passage, in February 2005, MRDD notified all the Warren County School Districts that they were going to be pulling out and not providing preschool and school-age programs to our students. Legislation requires the school district pay for the education of special education students from age 3 to 22. The preschool and school-age programs for this fiscal year are estimated to be \$744,728 for the Franklin City School District. These are services and costs that we are now picking up that we're previously paid for by MRDD. My thought is that when they passed the levy in 2002, the expense of preschool and school-age programs was included in their expenses. The taxpayers approved the levy believing it was going to take care of these programs. Now, they are not. I received the MRDD carry over balances from the MRDD Treasurer, which are provided in the slide. You will note MRDD's 2007 carry over balance was \$37,115,056. They have decided to reduce their 4-mill collection on that levy by 1.53 effective mills?

Mr. Nelson said by 2 mills, but the effect of that 2 mill reduction is a 1.53 effective rate. They are subject to reduction factors, as well.

Other Information to Consider

MRDD Millage Rate Reduction – 1.53 Effective Mills

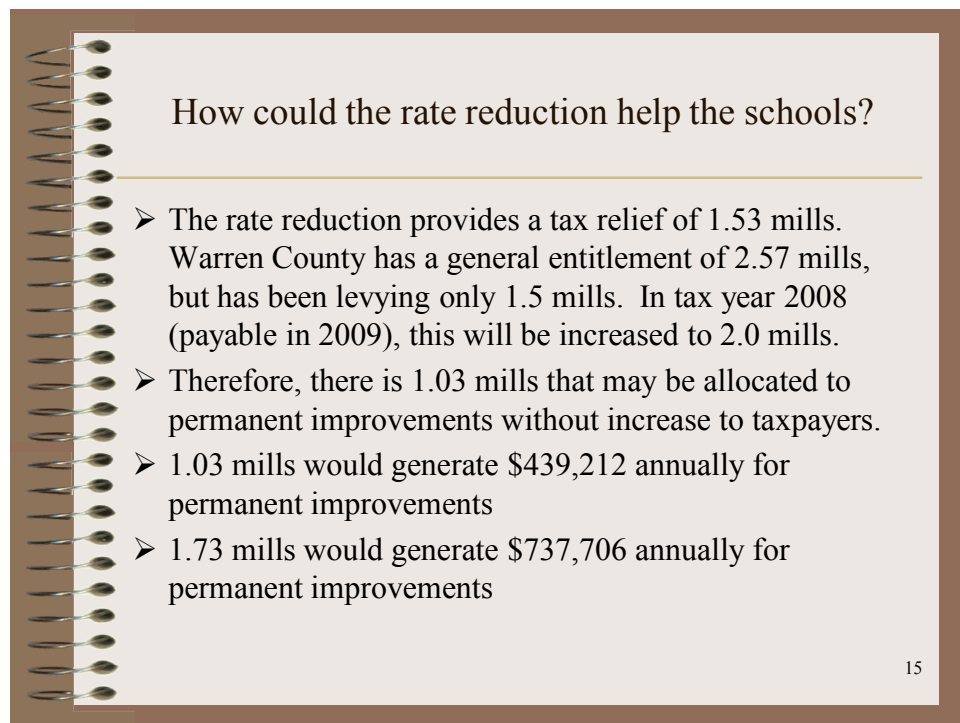
- MRDD passed 4 mill levy in 2002
- In February 2005, MRDD notified Warren County Schools they would no longer be providing services to preschool and school-age children. Therefore, local districts were required to provide these programs beginning in Fiscal Year 2006.
- The preschool and school-age program costs for 2008/2009 are estimated to be \$744,728
- MRDD's carry over balances at year end have been as follows:

2002	\$ 6,810,623	2003	\$ 12,058,222
2004	\$ 14,071,528	2005	\$ 20,696,738
2006	\$ 29,125,079	2007	\$ 37,115,056

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Mrs. Bellamy said a tax relief of 1.53 mills is what the taxpayers would see as far as a reduction. However, it is my understanding that the entitlement to the county is 2.57 mills. They have only been collecting 1.5 and that is going to go up to 2-mills in tax year 2008. Considering this information, that would leave 1.03 mills for a reduction to the taxpayers in our school district. If we moved 1.03 inside mills to a permanent improvement fund, that would not be an increase to taxpayers anywhere and would generate \$439,212 for our school district on an annual basis for permanent improvements.

If we did that plus considered claiming the 0.70 free mills and moving that millage, it would generate \$737,706 annually. Now, we are talking about the revenue to the point we could be held harmless for the preschool and school-age programs. That is why I wanted to see exactly where the data would fall for some of these decisions.



How could the rate reduction help the schools?

- The rate reduction provides a tax relief of 1.53 mills. Warren County has a general entitlement of 2.57 mills, but has been levying only 1.5 mills. In tax year 2008 (payable in 2009), this will be increased to 2.0 mills.
- Therefore, there is 1.03 mills that may be allocated to permanent improvements without increase to taxpayers.
- 1.03 mills would generate \$439,212 annually for permanent improvements
- 1.73 mills would generate \$737,706 annually for permanent improvements

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There are many kinds of different options because you can move different millage rates to a PI. It affects the individual corporations differently, but I wanted to summarize five different options that the Board may or may not consider. I wanted to put them on the table so the committee and the Board know the possible options.

Mrs. Bellamy reviewed the five options listed in the chart below. Option 1 would be to claim the 0.70 mills and move it to a PI if the City withdraws from the Township. The second option is to claim the 0.70 mills and move this plus 0.33 mills to PI, which would not increase the cost to taxpayers because of the MRDD rate reduction. The third option is to claim the 0.70 mills and move this plus 1.03 mills to PI. The more millage we move, the larger the annual revenue. The fourth option considers that if the City does not withdraw, the school district still has the option to not claim any free inside millage, but still moving millage to PI. A move of 1.03 mills to the PI would still generate \$439,212 while not increase cost to taxpayers, because of the MRDD rate reduction. The fifth option is no action at all and taxpayers would see a reduction in their taxes.

District Options

1. **Claim 0.7 free millage and move to PI fund**
 - Annual revenue estimate = \$298,494
 - MRDD and County rate changes would allow free millage claim with reduction of 0.53 mills to taxpayers
2. **Claim 0.7 free millage and move this + 0.33 mills to PI fund**
 - Annual revenue estimate = \$439,212
 - Changes would allow with no reduction or increase to taxpayers
3. **Claim 0.7 free millage and move this + 1.03 mills to PI fund**
 - Annual revenue estimate = \$737,706
 - Changes would increase cost to Franklin Township & Carlisle residents by \$21.44 per year per \$100,000 home
4. **Do not claim any free millage, but move 1.03 mills to PI fund**
 - Annual revenue estimate = \$439,212
 - Changes would allow PI with no reduction or increase to taxpayers
5. **No action**
 - No increase in revenue
 - Changes by MRDD & County would reduce 1.03 mills (\$31.54 per \$100,000 home)

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The floor was opened to discussion.

Mr. Elam said we've talked about the effect on taxpayers in the township if the school claims the inside millage. What is the effect on the township residents if the City claims the millage and we do not?

Mrs. Bellamy said none, because the tax rate is within the City corporation – right?

Mr. Nelson said right. There would be no affect because 10-mills is not being levied in the Township currently.

Mr. Sizemore said the issue is because the school has to levy the same rate across the board.

Mr. Nelson said right, you are subject to uniform rates.

Mr. Ruppert pointed out that the Township would still lose.

Mr. Elam said I guess what I am trying to get to is that there is an indirect effect, because the township would lose \$144,000 and they would have to make that up some place. There might have to be a levy to make that up to cover the services that you provide. In reality, they are losing.

Mr. Ruppert said that is right.

Mr. Nelson asked how much does the Township contribute to the City now?

Mr. Ruppert said the swimming pool is \$25,000 per year. I would have to look at the contract, because I am not familiar off the top of my head.

Mrs. Raleigh noted the shared expenses at the part.

Mr. Ruppert said yes, we do that periodically.

Mrs. Feltner mentioned the cemetery.

Mr. Ruppert said we have to maintain the cemetery by statute. That is not something that we give the City.

Mr. Elam asked what services in the Township would go away if the City withdraws?

Mr. Ruppert said we have a contract with the City of Franklin. I do not think their withdrawal from the Township would change that. We have a volunteer fire department. I don't think that would necessarily change.

Mrs. Feltner asked what about JEMS?

Mr. Ruppert said that is a whole other issue. JEMS would not necessarily be affected by the City's withdraw from the Township. However, they would be looking at withdrawing from JEMS along with their withdrawal from the Township.

Mrs. Feltner said if the MRDD money was levied for the purpose of educating the MRDD students, why can't that money be rolled over to the individual school districts to educate the MRDD students we have presently?

Mr. Nelson said it is my understanding that it could, but the MRDD Board has passed a resolution not to do that. Isn't that right, Bonnie, back in 2005?

Mrs. Milligan said I am not familiar with that information.

Mr. Elam noted that levies require pretty specific language on the ballot and asked if anyone recalled the language.

Mr. Nelson said it did not have anything in the language about distribution to the schools.

Mr. Ruppert asked about the senior citizen's levy and if the withdrawal would affect that levy.

Mr. Nelson said it is my understanding, the ballot language identified the taxing authorities. That would not change.

Mr. Ruppert said one other item in the paper was that if the school doesn't claim the inside millage and the City does, the City loses 0.61?

Mr. Nelson said they are currently levying 0.61 more than their entitlement. In my opinion as a member of the budget commission, that should they make this move to detach, that 0.61 becomes free millage, just like the 0.7. It is free millage that they are claiming. The school would be entitled to claim, as well as the City and the Township.

Mr. Feltner said the way I see it, the ball is basically in the City of Franklin's court. If the City claims that, the Township does not have any option. They can't do anything at all about it. They're going to lose revenue and to make up for it, they will have to do something in the form of a levy. The school Board does have some options. If the City does go ahead and exercise what they were planning to do, I think the school Board should step in and claim it.

Mr. Ruppert said if the schools do not claim that money, the schools will have a real hard time passing a levy. People will wonder how you could pass up money and then, ask for a levy.

Everyone agreed.

Mr. Feltner noted if they claim it, it will cost the township residents more and if they don't claim it, it will cost the township more.

Mr. Ruppert said I think that is fair.

Mr. Elam said if we don't claim it, exactly what you are saying is going to happen. If we do claim it, we will oppose an unvoted tax and people will not appreciate that. I think we are particularly in a catch 22.

Mr. Ruppert agreed and noted that it would probably be tougher, if not impossible, if the school did not go for it.

Mrs. Raleigh noted that Mr. Ruppert was one of our last successful levy chairs.

Mr. Elam said I have a concern about the millage reduction of MRDD, as well, and the fact that they have a \$37,000,000 carry over.

Mr. Lazarus said not any more.

Mr. Nelson said you are just not going to collect as much next year. You still have a \$37,000,000 balance. The reduction will be coming up next year. (Collection will be reduced by \$9,000,000.)

Mr. Lazarus said that for years, MRDD provided those services for free and all the school districts benefited. In 2002, the levy was passed because MRDD was broke. When I left MRDD, they chose to discontinue providing these services, because legislation requires the school district to education students.

Mrs. Feltner said voters approved the levy in 2002, thinking that money was going to be used to educate our MRDD students. Now, we are picking up the total cost of that while MRDD has a \$37,000,000 balance. MRDD has that balance. Why isn't it helping the students?

Mrs. Raleigh said we could check the ballot language, but you can't just take what has already been voted by the people and give it back.

Several conversations occurred at the same time.

Mrs. Bellamy said that is why my only reasoning around the situation to where the school district could gain that collection is:

- MRDD is going to reduce the millage 1.53 effective rate.
- If we moved our inside millage of 1.03 (MRDD reduction 1.53 less 0.5 county increase) to PI, we could generate \$439,212 to provide for permanent improvement expenses that are currently in the general fund. This would free up general fund money to pay for the preschool and school-age services.

Mr. Sizemore asked if the 1.53 is outside millage.

Mrs. Bellamy said MRDD's 1.53 is outside millage, because it is a voted levy.

Mr. Sizemore asked you are saying 1.03, because of the county is going to bump theirs by a half next tax year. Really, there is no tie between the two but to keep taxes from going up.

Mrs. Bellamy said correct.

Mr. Griffo asked if the City withdraws, could we also go for the 0.55?

Mrs. Bellamy said yes we could, as we discussed earlier, it is actually 0.61 mills they are collecting over the mandate.

Mr. Griffo said if you're going to go for it, you might as well go for it all. (The 1.53, the 0.70 and the 0.61.)

Mr. Feltner said the thing is, someone is going to gain an increase in funds if this becomes about. I think the City is going to continue to go after it. They are not satisfied from what I head from different people.

A conversation occurred about the City survey.

Mr. Ruppert said I expect the City to continue down this path.

A conversation occurred about the City's financial condition.

Mrs. Bellamy asked if the City withdraws from the Township, when does that decision have to be made by the City?

Mr. Nelson said this is a real touchy subject. I've asked the prosecutor to research this. My belief is that the tax listing date is October 1. So, any action that would affect the 2008 tax year for taxes payable in 2009 would have to be taken by October 1. Now, that involves you guys, because if you decide to move money to PI levy, you have to have two public hearings, specifically for that purpose. I do not know how far apart they have to be. The City would have to take the action prior to October 1. The budget commission would have to convene to deal with the free millage issue. We have some time to do that. The ideal time to do that is at the adoption of your budgets. The municipalities and township adopted their budgets in July for the upcoming tax year. You guys adopted yours in January. You have time to amend those.

Mrs. Raleigh asked if the City needed to have a public hearing to withdraw.

Mr. Nelson said no. They only need a resolution.

Mrs. Feltner asked if they received the money by resolution.

Mr. Nelson said they do not get the money. It is free millage. They think they get the money. That is what is prompting them to do this.

Mrs. Feltner asked what do they have to do to get the money?

Mr. Nelson said they have to claim it with the budget commission. If both entities claim it, the budget commission has to make a determination based on relative need. I don't know how you determine relevant need between a school and a city, but presumably you look at who is on the ballot the most, what kind of balance you have, etc.

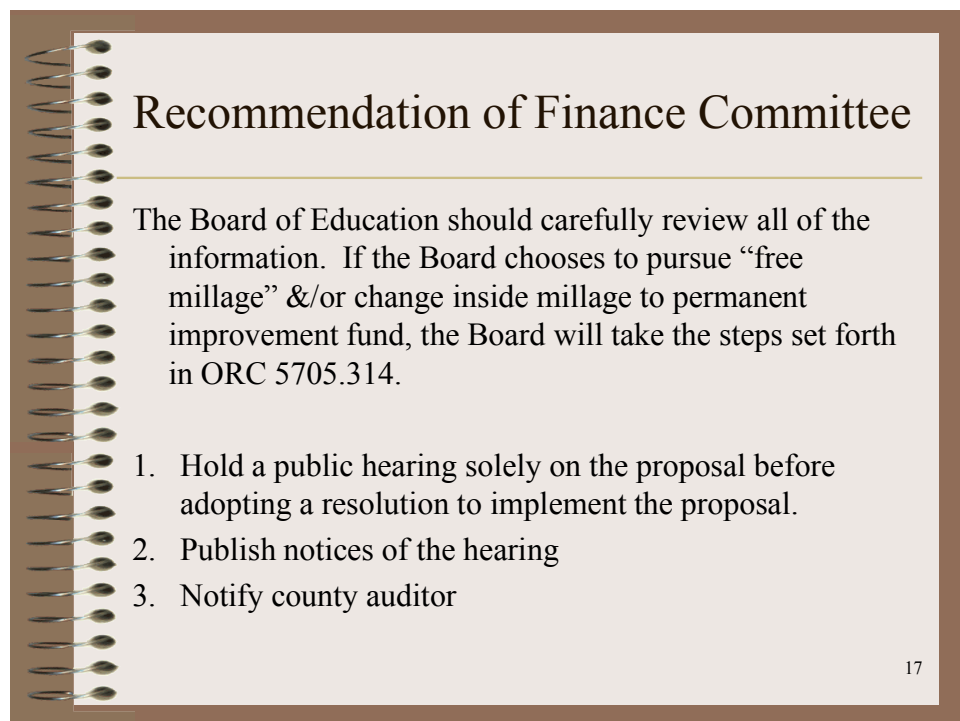
Mr. Nelson said anything that you would be doing to move money from general fund to permanent improvement requires public hearings.

Mrs. Bellamy suggested the public hearings be conducted in a discussion of the millage, to include the millage rate. In that way, the district's options can remain open as to the rate of free millage and the rate, which could be moved to permanent improvement fund.

Mrs. Milligan agreed that the Board should comply with requirements in order to be prepared for any type of free millage or inside millage move to permanent improvement.

Mr. Nelson said when you move your inside millage from general fund to permanent improvement, you are increasing the tax in an unvoted manner, because your 20-mills would be recalculated to continue 20. So, you're really increasing the levy on the voters by whatever amount you move to PI. The point here is that it is not going to increase taxes, because, coincidentally, there is a rate reduction.

Committee members agreed that because of the possibility of the City's withdrawal from the Township, the Board of Education should carefully review all of the information and to comply with legislative process.



Recommendation of Finance Committee

The Board of Education should carefully review all of the information. If the Board chooses to pursue “free millage” &/or change inside millage to permanent improvement fund, the Board will take the steps set forth in ORC 5705.314.

1. Hold a public hearing solely on the proposal before adopting a resolution to implement the proposal.
2. Publish notices of the hearing
3. Notify county auditor

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The committee discussed the best course of action and it was determined that the Board of Education should proceed with the public hearings required in ORC 5705.314. Mrs. Bellamy will contact counsel to prepare a timeline, which will meet legal requirements.

Thank you to all participants.

Adjournment

The Finance Committee adjourned at 7:03 p.m.