

Minutes Special Trustees Meeting
January 23, 2010

Present: Trustees VanNess and Mason, F.O. Kennedy,
Absent: Trustee Abraham
Guests: Travis Binckley
Chief Jeff Hussey
Steve Mershon
Candi Moore
Suzanne Kennedy

Fiscal Officer Norman Kennedy conducted a financial workshop offering background information regarding Township accounting. He stated the Township reports on a calendar year basis – every twelve months ending December 31st with all financial statements submitted to the State of Ohio Auditor by the end of February. F.O. Kennedy noted there are presently thirteen recurring funds which are used to record transactions and they include the following:

- 1000 General Fund
- 2011 Motor Vehicle License
- 2012 Gasoline Tax
- 2031 Road & Bridge
- 2041 Cemetery
- 2191 Fire
- 2192 Parks
- 2193 Opera House
- 2195 Open Space Preservation
- 2901 Misc. Special Revenue – Kendal TIF Transaction
- 2902 Cemetery Bequest Fund – expendable
- 4902 Misc. Capital Projects – Fire Dept. Equip. Reserve
- 4951 Cemetery Bequest Fund – restricted as to expenditure

Other funds used from time to time include:
2903 Misc. Spec. Revenue – FEMA payments
4401 Ohio Public Works Payments

Revenue Sources

F.O. Kennedy stated in 2009, 84% of the Township's revenue sources (excluding the Kendal TIF Fund and Fund 2192 which were used for pass-through tax receipts) came from property taxes. He went on to explain the total voted millage is 11.55 mills and un-voted, or inside millage, is 2.40 mills. F.O. Kennedy stated in 2010 the Township has 20% of the effective unincorporated Residential and Agricultural Millage on the tax duplicate for the unincorporated area of the Township (District 19). The money raised from these property taxes is used to provide the services desired by the residents. The remaining 80% of the property taxes go to the Granville School District, Licking County, CTEC and the new Granville Recreation District. F.O. Kennedy explained inside millage (in accordance with the State

Constitution may not aggregate more than a maximum of 10 mills between the County, School Districts, Villages, Cities and Townships in a given taxing district) and outside millage (ORC5705.19 - must be approved by a vote of the residents) and how property tax levies work.

He explained HB 920 was passed in 1976 to combat the impact of inflation on property values. It states the dollar amount raised from a property tax levy may not increase due to inflationary increases in the tax value of taxable property. Thus, if there is a one mill levy on the tax duplicate and the value of all the taxable property doubles in amount because of inflationary increases, the levy would be reduced on average to .5 mill (the new effective rate) to still receive the same dollar amount. The only increase would come from "new construction" subsequently placed on the tax rolls. It is also important to note while HB920 was implemented to reduce the impact of inflationary property value increases the same holds true in the opposite direction. Should property values decline in value the effective rate could increase (up to a maximum of the original voted amount) in order to still raise the same amount of money from the levy.

F.O. Kennedy stated the \$30.62 cost of a one mill property tax on a \$100,000 owner occupied residence is computed as follows:

- 1) \$100,000 market value x 35% taxable value = \$35,000 of tax value
- 2) \$35 x 1.0 mill = \$35.00 or \$35,000 x .001 (the value of a mill) = \$35.00
- 3) As a result of voting for a state income tax in the early 70's an owner occupied residence has 12.5% of the property tax paid by the State of Ohio. \$35 x 87.5% (100%-12.5%) = \$30.62 per \$100,000 of market value.
- 4) The taxing entity receives the total \$35.00.

F.O. Kennedy noted it is possible with the State's financial difficulties the State Legislators could choose to eliminate the 12.5 % payment on behalf of residents. Or they could decide to not pay the 12.5% subsidy on new levies. This would result in the tax payer paying the full cost of any new levies without the taxing districts receiving any additional money.

The Trustees' discussed the various Township levies and the need to do something with Open Space Levy expiring in 2010. Trustee VanNess questioned if the levy could be reduced from 2.5 mills to maybe 2.0 mills. Trustee Mason stated they will have to research replacement levies and renewal levies with reductions concerning the upcoming Open Space Levy. F.O. Kennedy stated the Prosecutor's Office has indicated the Open Space Levy could go on the ballot with a reduction. Trustee Mason questioned if the Trustees' want to do this because they don't know what they will need in terms of future dollars and what land might be available for the Township to acquire. He stated the Trustees' do have money in the Open Space fund at this time. Trustee Mason also stated if they roll back the levy to 2 mills he questions if it is no longer a renewal levy or is it a replacement levy. F.O. Kennedy stated once the levy is reduced by a vote - it's reduced for good. He stated he is

unsure if the levy would be considered a replacement with reduction or a renewal with reduction, and he hopes to have this clarified soon before the February deadline to have the levy on the May ballot.

F.O. Kennedy reiterated the majority of the Township's revenues come from property taxes. He stated in accordance with the Ohio Revised Code [5705.19], property taxes may only be levied for specified purposes and the proceeds of the levies must be credited to specific funds in accordance with those purposes. The following property taxes are levied in the unincorporated area of the Township in 2010 (for tax year 2009 as property taxes are paid one year in arrears):

GRANVILLE TOWNSHIP TAX INFORMATION - FOR 2010
Tax District No.19



print page

Category	Voted Millage	Effective Millage Resident and Agric	Comm'l & Indust	Public Util Pers Prop
Paid by Unincorporated and Incorporated Areas of the Township				
Inside	.10	.10	.10	.10
Fire & EMS	1.00	.98	.93	1.00
Fire & EMS	1.30	1.18	.96	1.30
Fire & EMS	2.50	2.28	1.92	2.50
Open Space Pres	1.00	.98	.93	1.00
Open Space Pres	2.50	2.28	1.92	2.50
Cemetery	.50	.49	.47	.50
Paid by only Unincorporated Areas of the Township				
Roads				
Inside	2.30	2.30	2.30	2.30
Voted	2.75	2.53	1.99	2.75
Township Totals	13.95	13.12	11.52	13.95
Granville Schools	81.48	41.48	51.70	81.48
Granville Public Lib Bldg Bond	.82	.82	.82	.82
Granville Recreation District	1.00	1.00	1.00	1.00
Licking County	7.40	6.79	6.83	7.40
C-Tec	2.50	2.50	2.50	2.50
Grand Totals	107.15	65.71	74.37	107.15

This chart appears in the Township's website along with a listing of the property valuations.

Each of the Township outside millage levies under 5705.19 is for a single stated purpose. Kennedy indicated the Trustees have not wanted to place levies on the ballot which may use the proceeds for multiple purposes. Thus when voting the residents are voting yes or no for single purpose services.

Levies can be placed on the ballot for fixed term periods or continuing periods of time, as individually permitted by 5705.19. Thus fixed term levies periodically expire and must be replaced or renewed. Continuing term levies do not expire but may be voted upon periodically if the taxing authority wishes to replace the levy in order to restore the effective millage rate back to the original voted amount. Each of these actions is subject to passage by the voters.

He stated other Funds may be established with the permission of the State Auditor, or as mandated by State or Federal agencies. F.O. Kennedy stated Township's are required to maintain their financial statements under a Fund Accounting method and, therefore do not have a balance sheet. Transactions are reported on a cash basis and flow through various Funds.

General Fund

F.O. Kennedy stated General Fund money can be spent for any purpose either directly from the General Fund or transferred to another fund, either temporarily or permanently, for expenditure. He stated there are also certain expenses which must be paid from the General Fund such as official's compensation and related costs, liability insurance, County Health Department assessment for services, zoning costs and other sundry expenses. F.O. Kennedy stated revenue sources for the General Fund include:

- a) Local Government Fund – money provided by the State to local government units (Cities, Counties, Village, Townships) based upon percentages of actual revenue receipts of the State.
- b) Inside millage – a .1 mill General Fund tax
- c) Inheritance or estate tax
- d) Interest earnings

1) Local Government Fund

The State previously provided funds to local government units (Counties, Cities, Villages and Townships) based upon fixed percentage formulas. Several years ago the fixed formula was dropped in favor of variable participation in the State revenue streams of income and sales taxes. If those sources were up on a state level then local governments would receive more funding, however if those sources were down they would receive less. These changes have resulted in less funding and with the present state of the economy the state is providing even less funding. The history of Granville Township actual Local Government Fund receipts is as follows:

1985 - \$15,468; 1986 - \$16,191; 1987 - \$17,528; 1988 - \$18,739; 1989 - \$20,193;
1990 - \$23,995; 1991 - \$25,503; 1992 - \$24,024; 1993 - \$26,893; 1994 - \$29,121;
1995 - \$32,765; 1996 - \$34,266; 1997 - \$36,725; 1998 - \$42,433; 1999 - \$44,745;

2000 - \$47,134; 2001 - \$49,078; 2002 - \$46,749; 2003 - \$46,183; 2004 - \$47,827;
2005 - \$46,591; 2006 - \$46,955; 2007 - \$46,508; 2008 - \$42,640; 2009 - \$39,328

Thus Local Government Fund money peaked in 2001 and has been on the decline since then with an 8% decline into 2009 and further decrements expected in the future. There is also the possibility that the State may eliminate LG funding in order to balance its budget deficit.

2) Inside Millage

In 2004 the Township's inside millage of .3 collected approximately \$81,000 in tax revenue for the General Fund. It was discovered that in 1934 a calculation error had been made and the Granville School District was entitled to an additional .2 inside millage. This correction resulted in the Township's inside millage being reduced to .1 mill. In 2005 receipts dropped to \$29,000. In 2009 the number was \$32,000.

3) Inheritance Tax

F.O. Kennedy stated this tax is assessed by the State on the value of deceased unincorporated area resident's estates in excess of \$338,500. Trustee VanNess asked when F.O. Kennedy would have an estimated Inheritance Tax for 2010. F.O. Kennedy stated that normally he does not know this number until receipts by the County have been paid to the Township. He went on to say the Township received \$146,000 in Inheritance Tax in 2009 and there is talk the percentage could decrease or be eliminated all together. Trustee VanNess noted this tax encourages people with big estates to move from Ohio and Senator Jay Hottinger has proposed a bill which would reduce or eliminate the estate tax. F.O. Kennedy stated Hottinger's proposal would increase the \$338,500 exclusion and make the tax a local option. Included in Hottinger's proposal is the right to place the local imposition of an estate tax on the ballot for referendum. Trustee Mason noted this is money which has been propping up the General Fund expenditures which cannot be counted on because it's never known how much it will be.

4) Interest earnings

Interest earnings have dropped significantly because of both the Federal Reserve policy of low rates to help out the economy and lesser General Fund balances. The General Fund received \$62,000; \$38,000 and \$4,000 in 2007, 2008 and 2009, respectively.

Motor Vehicle License Fund

F.O. Kennedy stated revenue for this Fund comes from a \$5 license fee levied by the State beginning back in 1962. The money in this fund must be spent for road purposes.

Gasoline Tax Fund

F.O. Kennedy stated Granville Township receives a portion of the State gasoline tax which must be spent for roads purposes. He stated they have always dedicated the money in this fund to pay the road superintendent salary and benefits and there is pressure on this Fund because people are driving fewer miles and purchasing more fuel-efficient vehicles which results in less gasoline tax receipts.

Roads Fund

F. O. Kennedy stated there are two levies - 2.3 inside mills and 2.75 voted mills which pay into the Fund. The reduction in property taxes receipts stems mostly from the State legislature eliminating the Tangible Personal Property tax and replacing those receipts by a partial State subsidy based upon 2002 receipts. F.O. Kennedy stated in 2009 the Township received \$68,000 in FEMA reimbursement for the 2008 expenses incurred by Granville Township as a result of the hurricane windstorm damages. The money in this Fund may only be spent on roads.

Cemetery Fund

F.O. Kennedy stated a .5 mill cemetery operating levy is in effect which subsidizes the operation of the Township owned and maintained Maple Grove and Philipps Cemeteries as well as the Union Cemetery with the Village. The proceeds from lot sales are set aside to purchase additional land for future cemetery use in the community. He stated the Township has been paying \$22,000 per year to the Union Cemetery which was ¼ of the levy proceeds at the time, for its contribution toward the maintenance of the Old Colony Burying Ground, with the Village.

Fire Fund

F.O. Kennedy stated 1.0, 1.3 and 2.5 mill fire levies are in effect. In 2005 the then private corporation which provided EMS and fire services requested the Trustees place a 2.5 mill levy on the ballot to pay for a 24 hour staffing program. This request passed with a 92% favorable vote. On 12/31/06 the private corporation ceased to operate and turned all of its assets over to the Township for it to operate the fire department and provide these services. F.O. Kennedy indicated other significant revenue sources in the Fire Fund are contracts for service with McKean and Union Townships, as well as Federal and State Grants. F.O. Kennedy stated while Denison University does not pay property taxes it makes a voluntary payment of \$33,000 per year for fire department services which is much appreciated, however, this number has not changed for a number of years. The Township has had a good working relationship with the University for a number of years. F.O. Kennedy stated Kendal is also paying the Township \$18,000 per year, in lieu of property taxes, while the sewer TIF is in place. F.O. Kennedy noted Denison University donated \$100,000 toward the purchase of the last ladder truck. Expenditures from this Fund may only be made for Fire and EMS purposes.

Parks & Recreation Fund

F.O. Kennedy stated the operation of the Granville Recreation Commission was funded by a 1.0 mill levy. This levy will no longer be collected as the Joint Recreation Commission was established and passed its own levy which began January 1, 2010. F.O. Kennedy stated the Township will continue to receive a State subsidy from this old 1.0 mill levy which will be used to pay future Township Park expenses. Expenditures from this Fund may only be made for Parks purposes.

Opera House Fund

F.O. Kennedy stated this fund was established 20+ years ago to account for the proceeds received as a result of the destruction of Opera House owned by the Township. The

balance in this Fund is declining as a result of paying for the purchase of the Raccoon Valley Conservation Club [now McPeck Lodge] as well as lesser interest income and will eventually be closed.

Open Space Fund

F.O. Kennedy stated this is funded by 1.0 and 2.5 mill levies. The Trustees' discussed the 2.5 mill levy is up for renewal and how this levy should appear on the ballot and whether or not a reduction in the millage is appropriate. A decision will be reached at the regular meeting on January 27th. Expenditures from this Fund may only be made for purchase of Open Space and Restrictive Development Rights.

Kendal TIF Fund

F.O. Kennedy explained previous Trustees' agreed to reimburse Kendal for a portion of the cost of its installation of a sewer line from the Village. This decision was based upon the line being "oversized" to accommodate future commercial development in the area without having to re-install a new line at a greater cost. He explained this is a pass through account with tax money received from the County Auditor being paid back to Kendal and to the Granville School District, as this was a non-school TIF. F.O. Kennedy explained that there have been problems with this Fund, as the County Auditor has been using incorrect information to determine the figures since the inception of the TIF. F.O. Kennedy stated Kendal, the County and the State Department of Taxation have been attempting to resolve the matter without much progress to date and he is awaiting a resolution.

Cemetery Bequest Fund

F.O. Kennedy explained this is a non-restricted fund which receives the earnings from the Cemetery Bequest Fund. Expenditures from this Fund may only be made for cemetery purposes.

FEMA Fund

F.O. Kennedy explained this is a legally required pass through account to reflect any FEMA payments in the financial statements of the Township. It contains money only when there have been disaster related expenditure reimbursements for distribution back to the Funds from which the money was originally spent. He stated this Fund was most recently used during the September 2008 hurricane/windstorm and received \$68,000 for the Roads Fund and about \$7,000 for the Fire Fund.

Fire Department Equipment Reserve Fund

F.O. Kennedy stated the State permits the establishment of up to three "Reserve" Funds for various purposes. This particular Fund was established by the Trustees in 2007 to set money aside for the periodic purchase of large dollar cost fire department equipment without having to borrow money and pay interest. He stated there is 20+ year schedule of equipment replacement with projected future costs. F.O. Kennedy stated this fund was originally established with the approximately \$1,300,000 of cash turned over to the Township by the private corporation when it ceased to operate. Based upon projected future equipment costs \$175,000 was transferred from the regular Fire Fund in 2008 and

2009. Trustee Mason stated he is a proponent of this type of fund and feels it is a benefit to the community not having to borrow money and pay interest to purchase this type of equipment. Trustee VanNess asked about earnings on this money. It was explained as mentioned earlier interest rates are presently down because of Federal Reserve actions, but, he is following the Township's investment policy established as a result of SB81.

Restricted Cemetery Bequest Fund

F.O. Kennedy explained this fund holds donations to the Cemetery, which the donors restricted as to expenditure of the principal. Only income from this fund can be spent after it is credited to the non-restricted Cemetery Bequest Fund (see above).

Appropriations for 2010 and Five Year Forecast 2010 – 2014

2010 Appropriations

F.O. Kennedy stated permanent appropriations must be established by March 31st each year and the Township is currently operating on temporary appropriations using the carry over cash balances in the various Funds. He noted the Township may not appropriate for expenditure more money than is shown as available on the Certificate of Estimated Resources provided by the County Auditor which displays Resources by Fund. F.O. Kennedy explained Certificate amounts are based upon:

- a) The unencumbered cash balance from the end of the prior year
- b) "Other Income" items known by the political subdivision.
- c) The Auditor adds in "Estimated Taxes" for the year. [Note: This is strictly a mathematical computation and does not include non-payments, refunds from prior years, property valuation adjustments or Auditor and State tax collection fees].
- d) The Total of a, b & c equals the amount which is available for appropriation.
- e) Kennedy indicated he turned the information for items a & b into the County Auditor on January 4th.

F.O. Kennedy stated he has not yet received a Certificate from the County Auditor, but expects it in the next couple of weeks. He also stated he has prepared the 2010 Revenue figures for this meeting using the estimated tax amounts from the Rates and Amounts Certificate received last fall and there could be changes in these figures when the 2010 Certificate of Estimated Resources is finally received. F.O. Kennedy stated one unknown for 2010 is what the impact of actions taken by the State Legislature to shore up the State's budget will have on local political subdivisions such as Granville Township. F.O. Kennedy explained there are certain expenditures which the Township must make and which must come from specific funds. He stated, for example, they cannot pay the annual County Health Department assessment from the Open Space Fund; it must come from the General Fund. Liability insurance payments must come from the General Fund unless the insurance cost is related directly to operations in a specific Fund. Road/Cemetery Superintendent Binckley worked with Trustee Abraham and Fire Chief Hussey worked with Trustee Mason on their estimated appropriations for their respective departments.

When the Certificate is received Kennedy will again work with Binckley and Hussey to prepare recommended 2010 permanent appropriations for the Trustees to consider.

Five Year Plan 2010-2014

F.O. Kennedy stated the preparation of a five-year plan involves working with prior year's actual numbers as a base and trend, then projecting forward anticipated revenues and expenditures. The Township must rely on the sources of revenue made available by the State Legislature and therefore where applicable, approved locally by voters. He stated 80+ percent of the Township's revenues come from local property taxes. Without new construction growth (hopefully in the commercial and industrial valuation area to reduce the burden on Residential and Agricultural properties) HB920 limits the amount of future revenue to be received from property taxes. It is important to note that because there are no inflationary increases, at the beginning of a levy collection cycle the amount received is typically more than the amount to be expended. The excess of revenues over expenditures in the initial collection of a levy is saved to offset the later years of the levy cycle when expenditures exceed constant revenues.

He stated the Legislature will occasionally make a fundamental change in the tax structure of the State, such as several years ago when they eliminated the Tangible Personal Property tax on business assets. This tax which was received by the local governments has been replaced by the Commercial Activities Tax which is received by the State. This change makes the local governments more dependent on the State because the loss of TPP tax is only partially being made up for by State provided subsidies.

F.O. Kennedy stated increases in certain costs are an unfortunate consequence and, therefore, must be offset in other manners. Annual assessments by the Health Department for services increase each year. Utility charges increase. The Township cannot control the price for petroleum based fuel and asphalt which has a big impact on the Roads Department in providing services. Salt companies have dramatically increased the per ton cost of salt used in the winter on the Township roads. F.O. Kennedy stated only several years ago salt was \$25 per ton and it is now over \$60 a ton. He stated Superintendent Binckley has been working on ways to minimize this cost by mixing additional less costly no. 9 aggregate with salt to make it go further. Binckley has also worked out an arrangement for brine to be spread free of charge on certain Township roads to help with snow and ice control. F.O. Kennedy stated Chief Hussey has worked actively to obtain grant funding for operation of the Fire Department and has worked on obtaining a more equitable contract arrangement with neighboring townships that contract with Granville Township for EMS and fire services.

F.O. Kennedy noted State law does not permit a Township to operate at a deficit. When looking out five years most of the Township Funds balances become deficits in the further out years which means the Trustees will have to work on expenditure control and revenue adjustments in order to balance out these projected deficits. Of particular concern to him is the Township's General Fund which has only limited sources of hopefully recurring funding (the .1 inside millage and the State provided Local

Government money), yet against which certain required or mandated expenditures must be made. Thus without inheritance tax receipts, which are a future unknown, the Township's General Fund will be in a deficit in several years. As carryover balances are spent down, the Township has less flexibility to make optional kinds of expenditures.

Kennedy indicated he will update the five year plan once the Township's 2010 Certificate is finally received from the County and provide this information to the officials for further discussion and action.

Other Matters:

F.O. Kennedy noted a suggestion presented to Trustee Abraham from local resident Dennis Cauchon to "modernize" the Township levy structure by changing present Township levies from their current ORC section to other sections and also revise the millage. The Trustees' reviewed his suggestions. Trustee Mason stated changing an existing levy to a new section of the Revised Code involves making it a "new" or "additional" levy on the ballot. His past experience with new levies in school districts is they generally end up as "dead" levies. He stated the idea of substituting new levies, even though they are replacing existing levies, is tough sell to the taxpaying voters. Trustee Mason went on to say the presentation for pathways offered by Abram Kaplan was informational, but in their survey they did not pose the question as to how pathways would be financially supported. He stated he was pleased with the Granville Recreation District (GRD) request to be involved in recreational decisions. He stated his hope is for the GRD to ask the public (by way of survey) in what priority the public would financially support things like a Senior Center, community pool, and pathways. Trustee Mason stated all of these wishes and plans are good ideas, but there is a need to know if the public will support them financially. F.O. Kennedy noted it is also important to have a good cost estimate of something before it would go on the ballot. Trustee Mason stated the Township Trustees' will be able to benefit from the proposed survey the GRD is going to conduct because it can be one factor in letting them know what activities and services the public wishes to support. He also stated he has had individuals contact him to say they are not in support of more pathways in the Township. Trustee VanNess stated he agrees with Trustee Mason. He feels the key is for the Trustees to consider helping when entities such as the School District or Kendal have the possibility of obtaining grants or other donations. He stated he feels the Trustees' should support these kinds of endeavors. F.O. Kennedy stated it is important to note optional funding for some of these programs must come from the General Fund which, as stated previously, is under significant financial pressure. He stated, for example, the request for helping the Chamber of Commerce is something the Prosecutor's office has indicated the Trustees' can do, but Trustees' should also keep in mind they are looking at a five year plan with some funds operating in the red including the General Fund. Discussion needs to continue about all of these important matters.

The meeting was adjourned at 12:00 PM.