STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

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Local Government Tax Control Board
Meeting Minutes
August 28, 2008

Call to Order: The monthly meeting of the Local Government Tax Control Board was held on Thursday, August 28, 2008. The meeting was held in the Indiana Government Center South, Conference Center Room A, 302 West Washington Street, Indianapolis, IN 46204. Those in attendance were Dan Jones, Mike Bozymski, Ken Kobe, Chuck McLean (Administrative Officer), and Linette Pedigo (Administrative Secretary).

Minutes and Discussion: Mr. Kobe began the meeting by calling for any changes or corrections to the June 26, 2008 minutes. Hearing none, Mr. Jones motioned to approve the minutes. Mr. Bozymski seconded, and the minutes passed by a vote of 3-0.

Brown County Fire Protection District, Brown County; Max Levy: The unit is requesting approval of an initial levy for the four townships that make up the district. The townships will no longer provide the service in favor of the newly formed district, and will reduce their levy. The total amount of the operating budget will be $419,885 in 2009.

Present for the hearing: Jeff McCabe, Chairman of BCFPD; Richard S. Stamm, Vice Chair of BCFPD; John E. McKune, Fiscal Officer of BCFPD; Susanne Gaudin, Executive Administrative Assistant of BCFPD; Stephanie Yager, Commissioner of Brown County; and Mary Couchin, Resident.

Comments: Mr. Jeff McCabe began and stated that their Fire Protection District was formed by Ordinance last September. Mr. Kobe asked what the district is replacing. Mr. McCabe said Brown County has four townships and each of them contracted for fire services individually. Mr. Kobe asked with whom they contracted. Mr. McCabe said with local volunteer fire departments. Mr. Kobe asked if this new structure is in place now or if it begins January 1, 2009. Mr. McCabe said the new structure is in place, though they are operating currently without a budget. The volunteer fire departments are still under contract with the township trustees through the end of 2009; so they will begin contract negotiations for 2009 once they have a budget for 2009. Mr. Kobe then asked if this new district includes everything in Brown County except the Town of Nashville, and Mr. McCabe said the Town has the option of being a part of the fire district, and they will make that decision once they have a budget set. He added that there is a case in the Court of Appeals that was filed against the fire district, questioning its legality.

Next, Mr. Kobe asked what the financial impact of this is. Mr. McCabe said this proposed budget represents the total budget for the six fire departments that are currently under contract. Mr. Kobe asked how it compares to the aggregate of those budgets in 2007 and 2008. Ms. Stephanie Yager, Commissioner of Brown County, asked if he wants the net tax rate, and Mr. Kobe said yes. Ms. Yager said their request is for 0.0354. Mr. Jones asked what levy this is going to replace (how much the townships are currently paying). Ms. Susanne Gaudin, Executive Administrative Assistant, said $166,360, and Ms. Yager added that that amount is absent the Cum Fund that the townships have. Mr. Kobe wanted to clarify then that their budget for fire protection is more than doubling. Mr. McCabe said they are restricted by Ordinance in 2009 not to increase the budget. The budget they will be presenting to the County Council for 2009 will match the $166,000 budget they currently have, but the $419,885 budget they are requesting today is the actual budget the different fire departments have submitted to run their departments. Currently, taxes only pay about 20-25% of the fire departments' budgets. He said they have been advised in their discussions with the DLGF that as they get their tax levies set, they should be mindful of what they may need to do in the years after 2009. Mr. Kobe asked who from the DLGF he is referring to. Mr. McCabe said Bob Purlee (a Budget Division Field Representative for Brown County). Mr. Kobe asked if this is then the total budget that they expect to require from property taxes in the future, or is this the total budget for fire protection including all sources of funds. Mr. McCabe said the latter. Ms. Yager commented that they just did not want to tie their hands down the road with the growth factor, but they understand that the next year they can only request a portion of the unused levy.

Mr. Kobe then said that he understands they will have a first year start up period and then they will have an ongoing budget that will be funded partly from property taxes and partly from other revenues, like grants. He asked what the overall budget is and what portion of it will be funded from property tax levies. Mr. McCabe said they will have to take a look at that as they go forward. He said the other sources of funding they receive are through fundraising and grants. They will just have to see over the next year what portion of their budget they can expect to get from other sources of funding. He said that right now he knows the total cost and what portion is covered by taxes; they want to give themselves some flexibility to fund themselves as they find out what the needs of the county are. He added that this budget, compared to others around the state, is very small for fire protection in a county.

Mr. Kobe said the main line item here is "Support of Fire Departments;" he wanted to clarify that this is for the volunteer fire departments in each of the townships. Mr. McCabe said they are all volunteer; they have no paid fire protection service in Brown County. The $419,885 amount represents the total expenses as reported by the six volunteer departments. The $166,000 budget is the portion of the budget that is paid through property taxes. Mr. Kobe wanted to confirm then that the $166,000 is the sum of the four townships' budgets.

Mr. Jones asked if they are a COIT or a CAGIT county. Ms. Yager said CAGIT. Mr. Jones said they have their miscellaneous revenues listed at $30,000, which is about 7% of the levy. He said that once they are established and they have a levy, after the first year they will be receiving income taxes. Ms. Yager said that is right, and Bob Purlee recommended that they do not receive that their first year so they shouldn't include it.

Mr. Bozymski then asked about their Ordinance, and how on page 2 it mentions the Hamblin Fire District; he asked if it is going to be replaced by this new first protection district. Mr. McCabe said they are a part of the fire protection district, but they are remaining a tax entity because of their debt.

Next, Mr. Kobe wanted to confirm that they are asking for an initial levy of $419,885 at a rate of about 3.5 cents. He asked Mr. Jones if he is okay with them not including CAGIT. Mr. Jones said that levy will automatically be adjusted the second year. Mr. Kobe said they need at least the $166,000 to continue operations, but are asking for nearly $420,000; he said the Board's range of options are somewhere in between the two. Presumably, he said the $166,000 amount is a tax rate of about 2 cents. Ms. Yager said she believes so. Mr. Kobe said the impact of this proposal will be about 1.5 cents then. Ms. Yager added that Brown County has also chosen to do a LOIT; it was adopted in late 2006. She said it was undetermined at this time whether the county will allow them a share of that money or not.

Mr. Kobe then asked why one of the County Commissioners opposed this fire protection district. Ms. Yager said the Commissioner was initially interested in the forming the district, but after time he changed his mind. Mr. Jones asked if the County Commissioners are the fiscal body of the county. Ms. Yager said yes, but the first district has its own legislative body.

Mr. Kobe asked when they expect to reach their max levy. Mr. McCabe said they do not know right now; it depends on public input about what they want to support. Right now they are trying to set a base and a tax levy to do what is necessary for fire protection.

Mr. Kobe then asked Mr. Jones how this levy compares to others. Mr. Jones said he believes it to be comparable; most are in the 1 – 4 cent range. Mr. Kobe commented that the LGTCB is not used to approving a max levy that is greatly in excess of current levels of spending, though he appreciates the long-term planning. Mr. McCabe said it costs over $400,000 a year to adequately provide services, but the question is how much of it should be funded through property taxes and how much should be funded through grants and fundraising.

Ms. Mary Couchin, Brown County resident and EMT for the Cordry-Sweetwater Fire Department, took the floor next to discuss her opposition to the fire protection district. She said this is controversial and there is a lot of opposition throughout the county. Taxes have increased 124% over the past ten years, and this is going to take away from fundraising efforts and put it on the taxpayer. She said they were told they would not be paying any higher taxes, but that will only be for one year. This is a substantial increase and they do not even have a fire protection problem in Brown County. She continued and said that this district may even be turned over in January because of a petition drive, and every potential commissioner candidate that is on the ticket is against the fire district.

Mr. Jones asked Ms. Couchin if a petition process has been started, and she said yes. Mr. Jones asked where they are in the process. Ms. Couchin said when the district first went into play, they were the only ones who had a petition against it, and they had 1600 signatures on their petition. Now there is a petition drive going around all four townships to overturn the district, but she does not know how many signatures they have on that one.

In response to Ms. Couchin's comments, Mr. McCabe said he believes there is broad-based support for this fire district in the county and he doesn't believe the Commissioners lost the election because of the fire district. He said one of the things their Ordinance provides for is for them to present their budget to the County Council which gives the public another opportunity to give their input. They have taken the advice of their DLGF representative, Bob Purlee, who advised them to base their levy on actual costs. He added that the district formed over a year ago so the petition process is not very strong because they would be further along. He said they need flexibility to operate responsibly. Fire service is a small portion of the overall tax rate; it's less than what is given to the library, and when compared to other counties, this budget is very small.

Mr. Kobe said the jurisdiction of the LGTCB is in property taxes. Ms. Yager said even at the full rate of their proposed budget, there is no circuit breaker impact. Mr. Kobe said as they mentioned themselves, there may be other options of funding the budget, like LOIT.

Mr. Bozymski asked how many homes are in the fire protection district. Ms. Yager said they have 23,000 parcels, and Mr. McCabe said they have about 17,000 residents in the county. He added that they also have over 30 camps and a significant amount of properties that are vacation homes.

Ms. Gaudin took the floor and talked about the need for the fire protection district based on their lack of emergency services. She said right now, the average taxpayer in Brown County pays anywhere from $2 to $21 for a $100,000 home, depending on which township. The highest rate is in Hamlin Township because they are collecting taxes to simply keep their doors open. She said Hamlin Township is grateful for this new district because it allows them time to train and maintain equipment; they do not have to spend so much time fundraising. She added that many grants require the different departments to work together, so this is their goal; to give them the opportunity to work together and to remove the burden of fundraising. In regards to Ms. Couchin, Ms. Gaudin said she is very lucky to be a part of the Cordry-Sweetwater Fire Department because they have tremendous fundraising support; the other departments do not.

Mr. Kobe asked if they are philosophically committed to the volunteer firefighter concept. Mr. McCabe said yes. Mr. Kobe then asked if they have any plans to convert to a full-time, paid department. Mr. McCabe said no because volunteer firefighting services can be very effective, and in some ways they have more flexibility and more opportunities to stretch.

Mr. Kobe then summarized his comments. He said he doesn't find the proposed budget or the 3.5 tax rate to be unreasonable, so he is inclined to support the max levy. For the record, he wanted to recognize that a max levy does not obligate a unit to levy those taxes, and they have expressed a desire keep the budget down as much as possible and to use other revenues (LOIT and grants) to help fund the budget. He said, as Mr. Jones noted, there will be some adjustments made by the DLGF as well.

Motion: Mr. Jones motioned to recommend approval of the levy for the Brown County Fire Protection District as submitted. Mr. Bozymski second, and the motion carried by a vote of 3-0.

Lawrence Township, Marion County; Township Assistance: The unit is one of several in Marion County that is working its way through cash flow challenges associated with a reassessment. In addition, it is a densely urban unit that has escalated needs due to foreclosures and a recessionary economy. Last spring, a tornado ran through this unit.

Amount Requested:	$200,000
Tax Increase Needed	.0029 (2007 AV based)
Current Tax Rate for the District	3.6693
Tax Increase as Percent of District Rate	.08

January 1 Cash Balance	$79,885
Plus: Current Year's Certified Tax Levy	$258,657
Plus: Estimate of Current Year's Revenue	$92,768
Total Funds Available for the Current Year	$431,310

Less: Encumbrances	$0
Less: Current Year's Expenditures	($631,310)
Remaining Funds	($200,000)
Advertised Year's Budget	$428,935
Adopted Current Year's Budget	$428,935

Publication:	06/20/2008
Hearing:	07/02/2008
Date Adopted:	07/02/2008

Present for the hearing: Lucy Emison, Ice Miller LLP; Patricia Thompson, Lawrence Township Supervisor; and Paige Gregory, Umbaugh.

Comments: Ms. Paige Gregory began and gave some background information on Township Assistance Loans and how they are affected by HB 1001. She said that HB 1001 repealed the requirement for the DLGF to approve debt issues, but the statute governing township assistance loans was not amended. She then went over the calculations used to arrive at the amount being requested. She said they are not going to get their 2008 property taxes until 2009, though she stressed that this is not a timing issue because they will have to borrow temporarily from other township funds. She continued and said that poor relief has increased significantly, as their adopted budget is $428,935, but their total estimated disbursements are $631,310. The reasons for this increase is economic downturn (unemployment rate up), a new office (increased their visibility), an increase in personnel costs (added employees), tornado damage (township provided assistance to victims), and an increase in housing costs (they increased their standards to be comparable to surrounding townships, but then went back to 2007 numbers after they began to run out of money). She talked next about their actual and estimated disbursements in their township assistance fund, and how direct assistance has went up 157%.

Mr. Kobe asked, of the 157% increase, what portion is attributable to the case load and to the new standards. Ms. Gregory said she does not have exact figures, but she said that most of it is attributable to the new location.

Ms. Gregory then talked more about how their township assistance fund is broken down and how they disburse it; she said they spend the most on housing assistance. Mr. Kobe asked to what degree is housing a function of the increased standards. Ms. Gregory said the standards increase the costs. Mr. Jones asked why they increased their standards. Ms. Gregory said they did it to be comparable to surrounding townships. Mr. Jones asked why they felt a need to be competitive. Ms. Patricia Thompson, Lawrence Township Supervisor, said it was done to be consistent with the other townships and the fair market rate. Mr. Jones asked if it was pegged to the cost of rental properties in the area versus other townships. Ms. Thompson said they used to go by a housing survey, but it was not paying all of the rent that people were requesting. They went to the fair market rate because it was paying most of the rent. She said it got to the point where they needed to back off.

Ms. Gregory continued and talked about the actual and estimated receipts versus disbursements for township assistance and their proposed debt service. She said they are looking at an estimated levy of $188,439 and an estimated tax rate of $.0029; this is a .08% increase in the district tax rate. She said this is all based on a 4% interest rate, though they are finding loans with much lower rates. Mr. Kobe asked what the average district tax rate is, and Ms. Gregory said their district tax rate is $3.39. She said she doesn't know the Marion County rate, but most of the townships are in the $3 range.

Ms. Gregory summarized that they are projected to run out of money in mid-September, and that is even if they do a tax anticipation warrant.

Mr. Kobe asked if the Township Trustee was unable to be here today. Ms. Gregory said he was. Mr. Kobe said the Trustee increased their staff in 2007 and increased their standards in 2008. He asked how they figured they could afford this. Ms. Gregory said they didn't account for the increase in housing costs and utilities, and the new location brought in a lot more people in need of assistance. Mr. Kobe asked if they have quantified this anywhere; the number of recipients historically. Ms. Gregory said there were 2400 recipients last year and they are on track for the same amount this year. She added that they also went from 194 to 267 recipients for housing from last year. Mr. Kobe then asked when the increases in staff occurred. Ms. Gregory said the increase has occurred over time from 2006-2008; they budgeted for the increase in staff but couldn't get the positions filled. Now they are at full staff. Mr. Kobe asked if this is all an initiative of the new Trustee. Ms. Gregory said the Trustee started in the beginning of 2007, so it would be safe to assume that.

Mr. Bozymski asked if the township is eligible for any type of federal disaster relief. Ms. Gregory said they looked into both state and federal relief, but they are not eligible.

Mr. Kobe asked next what the status of the township's fire loans is. Ms. Gregory said the fire department just issued a loan for $2 million for fire protection. Mr. Kobe wanted to confirm that loan did not require DLGF approval, and Ms. Gregory said that was correct. Mr. Kobe said they

were told last year by the township, when they came for approval for a fire loan, that it was going to be the last of the big township fire loans. Apparently, he said that is not the case. Ms. Gregory said they have no other way to fund fire protection. Mr. Kobe said their testimony was that they would figure it out so there would be no more loans. Ms. Gregory said they have been trying to come up with options, but consolidation does not even seem like a good option this year.

Mr. Jones asked how much the township is receiving in LOIT for public safety. Ms. Gregory said she does not know the exact number, but she does know they are receiving some. Mr. Jones asked about the increase in the income tax rates for the COIT for Marion County; he asked if they will be sharing in that also. Ms. Gregory said at least for 2008, there have not been any increases in receipts on COIT. Mr. Jones said the rate went from 0.7 to 1.0. Ms. Gregory said there have not been any significant increases in the COIT distribution; Marion County has their own way of distributing that. Mr. Jones said the rate went up by a third, so there must be an increase of some kind.

Mr. Kobe then commented that he understands these are hard times for many people, but their township assistance has gone up 600% since 2003 and 400% under this new Trustee. Mr. Kobe said the LGTCB and the DLGF would not be doing their job if they didn't give this case more scrutiny than they have time to today. Mr. Jones concurred and added that since 2005, administrative costs have increased 45%. Mr. Kobe said he can understand that, because as claims increase, staffing should increase as well. Ms. Gregory said originally they had caseworkers back in 2005 making only $24,000 a year, and when the new Trustee came in he raised their salaries to $32,000. Mr. Kobe asked how many staff they had back in 2006. Ms. Gregory said they had three full-time staff members. Mr. Kobe wanted to clarify that they then increased the base salaries for the three existing employees and added three more new employees. Ms. Gregory said that was correct.

Mr. Kobe asked what their long-term plan is. Ms. Gregory said that next year they are looking at a $250,000 loan if the caseload continues to be as it is. She said the township does not have any intention of increasing their guideline amounts again, although it is not up to current market value, but they are trying to do something about their costs. Mr. Jones asked if this is intended to be a 100% subsidy. Ms. Gregory said no. She said there is a lot of one-time assistance given, and the township will help people find work for two months, but after that two months they have to let them go. She said they do follow their guidelines, but there are just too many people to help.

Mr. Kobe said these facts, along with the excessive levy for the fire fund and now a township assistance fund that is in excess of its levy, make him want to defer this issue until the Trustee is able to come and discuss his long-term plan for the township.

Motion: Mr. Jones motioned to defer this issue to the next month's meeting when the Trustee can be present. Mr. Bozymski seconded, and the motion passed by a vote of 3-0.