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August 10, 2009

MEMORANDUM

TO: Commissioners Hartmann and Portune
Cc: Lisa Webb
FR: David Pepper
RE: TLRC Recommendations

A. Securing Support for Renewals By Taxing Citizens Less

Before Monday's meeting, I wanted to frame my views and proposed approach on the very difficult decision before us about the three County levies we must "size" by Wednesday.

To be very blunt: with what looks like five countywide levies on the ballot at a uniquely bad time—a time that our residents are enduring the tightest squeeze on their wallets in years (over 9% unemployment, foreclosures, lower take-home pay nationally, etc.)—I worry we are watching a ship steaming toward an iceberg. Someone needs to change its course quickly to avert a disaster.

Just Tuesday, 61% of school levies on the ballot failed in Ohio, including a renewal in Mt. Healthy. And our Countywide online survey (see below) showed very little appetite for new levies or higher levels of taxation for renewals at this time. If some of the levies we are discussing now were to suffer a similar fate as so many school districts last Tuesday, the consequences to critical services as well as the County budget would be dire.

Of course, we don't control the school or library levies—and we've expressed clearly that delaying those levies would be of huge benefit to them, and all others. But that is up to them.

Of the three levies we do "control," though, I believe we have to serve several goals:

1) ***To be sensitive to the current economic conditions our taxpayers face***: with the uniquely challenging economy we are all enduring—including layoffs, lower income, foreclosures, etc.—it is a terrible time to ask taxpayers to vote themselves a higher level of taxation. And the bad timing of having five levies on the ballot only makes the challenge tougher. I know we jointly fear this combination of levies will overwhelm our taxpayers/voters. And if we aren't careful in "sizing" these levies mindful of their concerns and challenges, citizens themselves will reduce their tax burden by simply voting one or several levies down.

2) ***To ensure that all three levy renewals we put forward have the best chance possible of passing to continue the critical services they provide, while providing for the most essential needs***: we can not afford to roll the dice or play Russian roulette with the critical levies we are considering. The failure of either the MRDD or Family Services levy renewals would be devastating to a) services and b) the County budget (due to mandated services).

These two goals are linked. If, in "sizing" these levies, we are sensitive to the challenges today's taxpayer is facing due to the recession, we maximize the chances of all three renewals succeeding. On the other hand, if we are insensitive to their circumstances, overload each levy, and ask for too much overall, I'm concerned that one, more or all three will get zero dollars because they will fail in November. (And the headlines of "$500M in taxes" have only made this prospect worse.)

Given these goals, I propose that we impose a net tax rate from the three "renewals" that is actually a decrease from what voters/taxpayers paid this year for those levies. By doing so, we can clearly assure voters that voting for all three renewals will NOT raise their taxes one penny. Indeed, they will pay less, and relative to the 2004-2009, their taxes will be reduced by millions communitywide. In my judgment, I think we have the best chance of succeeding if we make it clear that voting YES on all three will not raise taxes one penny—indeed, their taxes will be lower.

This will require each organization involved to receive less than they would ideally like, and to find ways to do more with less (although MRDD still would see a significant increase in revenue). Of course, that is exactly what all families, businesses and governments in our County are managing to do at this time.

And it asks the CMC to hold off on seeking tax dollar support for its capital plan until it has finalized the entire plan, including its overall funding model for such a large undertaking. And until a time that taxpayers are in a better place to take on new commitments.

The alternative to my approach—asking voters to pay *more* at a time where they are making *less*—risks the defeat of one or several levies, a risk I don't think is responsible to take with the many critical services they provide.

And while we can't control the decisions of other organizations considering levies, by sizing these three levies in this way, it makes clear to taxpayers that they are "held harmless" by renewing these three. If voters want to add more to their tax burden by voting yes on others, that's up to them. But they can vote for these levies assured that there will be no negative impact on their pocketbook.

B. **How to Get There**

To achieve the goal of renewing all three levies but doing so by asking for less taxpayer dollars, I propose the following (numbers are most updated from Budget Office, to be finalized in next few days):

Cincinnati Museum Center

***Proposal*: Renewal on the 5-year levy, but reduced .02 mills. The cost of the Museum Center to a $100,000 home goes from $9.09 to $4.43.**

1. CMC's operating levy would be renewed without inflation, and with a .02 mill reduction amounting to a $2 million reduction from current funding. This would cover operating/capital costs of approximately $3.2 million per year, or $16.2 million over 5 years.

2. No action at this time on CMC's new capital request. For three reasons:

    - As a matter of principle, I'm uncomfortable with the concept of "renewing" the 20-year bond by adding that millage amount to the 5-year levy. The 20-year bond, passed in 1987, was to pay for Union Terminal to be converted to a museum—a discrete project. It is not "renewable" in the same sense that operating levies are. The project is complete, as is the bond. And the taxpayers should realize the benefit of the end of that bond.

    - The Museum Center has a long-term capital plan, costing an estimated $120 million. I believe this process has shown that critical elements of this comprehensive plan are not finalized at this time, including how it is to be implemented or paid for. And I don't believe taxpayer dollars should be the "first dollars in" to pay for this plan when the other details are not yet in place. My preference is that this plan be more fully and finally developed, with a better sense of all sources of support, before asking the taxpayers to fund some portion of the plan over many years.

    - At this time of economic stress, I think it is a mistake, the cost of which would be borne by this and the other levies, to ask voters to undertake a large new capital plan through additional taxes.

3. **Bottom line**: In a difficult economic year, this proposal would allow taxpayers to realize the benefit of the current 20-year bond falling off their tax bill. The cost

of the Museum Center to a $100,000 home in Hamilton County goes from $9.09 to $4.33.

Family Services & Treatment Levy

***Proposal*: Add the new programs, but utilize the lower millage (.34 mills).** The levy's cost drops from $20.73 per $100,000 home to $10.06.

1. The new programs are important (particularly the Mental Health Court). Allow for the new programs, which will provide critical prevention services, but do so by reducing all the programs by some amount to allow the new ones to be supported within this levy. Total annual amount for this levy would be about $7.5 million, and total five-year amount would be $37.3 million.

2. **Bottom Line:** In a difficult economic year, this would allow taxpayers to realize a savings from the Drake Center portion falling off the former levy. The levy's size drops from $20.73 per $100,000 home to $10.09 beginning next year.

MR/DD

***Proposal*: MRDD sees a 14% increase in annual revenues. Consistent with County policy, increase at inflation, minus the reserve and .01 mill. For a $100,000 home, the levy's cost goes from $89.32 to $104.44.**

1. MRDD provides incredibly important services to so many in our community. Even at this challenging time, their work and the high demand for it justify an increase. I propose an increase that allows their annual revenues to climb 14%—from $67,883,652 annually to $77,653,938 annually.

   - Long-standing County policy is that "*[i]n no event* should recommended increases in voted levy taxation exceed the rate of inflation for each replacement or renewal levy since it was last enacted." The $416 million requested clearly violates this policy. The maximum inflationary amount allowed under County policy is approximately $400,199,446.

   - County policy states that "[t]he projected carryover at the end of the current period shall be considered in the projected financial plan," and used "in sizing the next levy millage." Factoring in the "carryover" to size the next levy makes sense—if the amount taxpayers paid in the previous cycle remains unspent, that amount can carry over as revenue for the next 5-year cycle for that levy, allowing the taxpayers to "realize" the savings from their unspent dollars in the new millage being requested.

- With the $11.6 million reserve, the "new revenue" portion needed to get to the $400M+ total is $389,282,563. Reducing this by an additional .01 mills (just 0.25% of annual levy revenues) reduces the total net cost of all three levies to the average homeowner to a level that is less than this year's amount.

2. Overall, for a $100,000 home, the levy's cost goes from $89.32 to $104.44. MRDD is the only levy experiencing an increase—from $67,883,652 annually to $77,653,938 annually.

TOTAL:

In sum, if these levies were approved by the voters at the proposed amounts:

- the total cost to a $100,000 home would be $118.96—a drop from the $119.14 it is today, and well under an inflationary increase
- the annual revenues for all three would stand at $88.4 million, versus $90.1 million today
- the total five-year amount of $442 million amount above is $18 million lower than actual 2004-2009 5-year levy revenue ($460 million) for the levies listed above (a 4% decrease)
- and compared to the standard BOCC/TLRC inflation policy (which would have allowed for increases up to $533,216,426), the total 5-year estimated revenue proposed would be more than $90 million less than that maximum level.

By achieving such savings for the taxpayer, we go a long way to assure that all three levies are renewed and able to continue their important missions for our community. Not to mention, we boost County families at a time where every penny counts.

Costs for the owner of a $100,000 market value home:

Hamilton County Levy	Current Annual Millage	2009 Annual Collections	2009 Budget Revenue	New Annual Millage	New Annual Collections	New Annual Revenue	Total 5 Year Revenue
Cincinnati Museum Center Levy	.20	$4.93	$3,702,710	Renewal .18	$4.43	$3,242,117	$16,210,584
Cincinnati Museum Center Bond	.14	$4.16	$2,511,800				
H&H – Drake Levy	.84	$20.73	$16,001,704				
Family Services & Treatment Levy		N/A	N/A	New .34	$10.06	$7,460,787	$37,303,937
Developmental Disabilities Levy	3.62	$89.32	$67,883,652	Renewal 4.13	$104.44	$77,653,589	$388,267,945
Total		**$119.14**	**$90,099,866**		**$118.96**	**$88,356,493**	**$441,782,466**

CMC – no inflation per TLRC recommendation and reduced .02 mills
FS&T – include new programs, but at lower millage level
MRDD – inflation (with carry over reduction) and reduced .01 mill

*all 2010 millage and collection amounts are estimates until County Administration receives calculations from the Auditor's Office.

*** County Online Survey results:**

1. Levy to Support Cincinnati Museum Center (1,788 respondents)
   - 6.4% support an increase
   - 34.2% support maintaining at current levels
   - 33.4% support a reduction
   - 23.5% support eliminating

2. Levy to Support Treatment/reentry/criminal justice services (1,789)
   - 15.3% support an increase
   - 42.3% support maintaining at current levels
   - 25.8% support a reduction
   - 14.3% support eliminating

3. Levy to Support Services for Developmentally Disabled (1,788)
   - 9.8% support an increase
   - 57.5% support maintaining at current levels
   - 20.9% support a reduction
   - 9.2% support eliminating