

RULES AND PUBLIC POLICY COMMITTEE

DATE: September 17, 2009

CALLED TO ORDER: 5:31 p.m.

ADJOURNED: 7:05 p.m.

ATTENDANCE

ATTENDING MEMBERS

Robert Lutz, Chairman
Bob Cockrum
Monroe Gray
Barbara Malone
Angela Mansfield
Marilyn Pfisterer
Lincoln Plowman

ABSENT MEMBERS

Joanne Sanders

AGENDA

PROPOSAL NO. 345, 2009 - amends the Code to correct all spellings of the word councillor and to make other technical corrections
"Do Pass" Vote: 6-0

BUDGET HEARING

Review Recommendations for Civil Taxing Unit Budgets

PROPOSAL NO. 361, 2009 - reviews the 2010 tax rates, tax levies and budgets of certain civil taxing units and adopts recommendations with respect thereto
"Do Pass As Amended" Vote: 6-0

RULES AND PUBLIC POLICY COMMITTEE

The Rules and Public Policy Committee of the City-County Council met on Thursday, September 17, 2009. Chairman Robert Lutz called the meeting to order at 5:31 p.m. with the following members present: Bob Cockrum, Barbara Malone, Marilyn Pfisterer and Lincoln Plowman. Monroe Gray and Angela Mansfield arrived shortly thereafter. Joanne Sanders was absent. General Counsel Robert Elrod and Chief Financial Officer James Steele represented Council staff.

Chairman Lutz asked Committee members to introduce themselves and indicate which portion of the County they represent.

PROPOSAL NO. 345, 2009 - amends the Code to correct all spellings of the word councillor and to make other technical corrections

John Cochran, Office of the Mayor, said that this proposal makes some grammatical corrections substituting "which" for "that" and makes the correction of the proper spelling of Councillor in parts of the Code. He stated that it is simply a clean-up ordinance.

[Clerk's Note: Councillor Mansfield arrived at 5:33 p.m.]

Councillor Cockrum moved, seconded by Councillor Pfisterer, to send Proposal No. 345, 2009 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

Chairman Lutz stated that 2008 legislation requires a non-binding review of civil taxing units, which was done on a smaller scale last year, and is being done in a more formal process this year.

BUDGET HEARING

Review Recommendations for Civil Taxing Unit Budgets

PROPOSAL NO. 361, 2009 - reviews the 2010 tax rates, tax levies and budgets of certain civil taxing units and adopts recommendations with respect thereto

James Steele, Chief Financial Officer, provided several handouts, including a spreadsheet of the budget years 2008, 2009 and 2010 for comparison purposes. [Clerk's Note: Reduced copies of these handouts are attached to these minutes as Exhibits A, B, and C. The original copies are on file in the Council office or can be viewed on the Council website: www.indy.gov/council.] Mr. Steele reviewed the spreadsheet comparing 2008 budget numbers certified by the Department of Local

Government Finance (DLGF), 2009 published budget numbers, and 2010 proposed budget numbers.

[Clerk's Note: Councillor Gray arrived at 5:36 p.m.]

Mr. Steele said that the assessed valuation (AV) numbers have just been certified and therefore some of these will have more accurate AVs. He said that the 2009 AVs were calculated at 75% of the certified 2008 AVs, mostly due to homestead credits. Mr. Steele said that all but two of the required entities submitted budgets in time to include them in this spreadsheet, and the other two budgets will be reviewed in October. He said that one of the criteria he and the Office of Finance and Management (OFM) looked at in calculating the 2010 non-binding recommendations was the frozen levies in Marion County. Since those levies have been frozen, they anticipated that all levies would remain the same from year to year. There are, however, some circumstances that could change that. If the cumulative fund is re-certified at a different rate, this could change the levy. However, for purposes of this recommendation, levies were kept the same as those certified in 2008. If the taxing unit submitted a budget that raised that levy, the non-binding recommendation reduces that levy back to the frozen amount and the reduction is pro-rated among the listed funds. Mr. Steele explained that this review is based on the assumption that the Local Option Income Tax (LOIT) amounts are not included. The LOIT was implemented to replace the levy increase, and some units may have included these amounts in their levy, and therefore it may look like an increase, but really is not. However, they did not have the opportunity to meet with each unit, and so they based their recommendation on the assumption that those LOIT amounts were not included. He said that they also did not include or take into account any emergency loan amounts, because those have not yet been approved by the DLGF and they felt they should not include those if they have not yet been approved. Mr. Steele walked the committee members through the columns for the City of Beech Grove, explaining that the levy was reduced and the AV increased, and the tax rate was calculated based on that evaluation. The final column represents the difference between what was submitted and the non-binding recommendation.

Mr. Steele reiterated that they did not meet with each individual unit because this recommendation is non-binding, but there may have been some reductions based on criteria which might have come to light had they met with each unit. He said that these recommendations, therefore, are based solely on uniform criteria and do not take into consideration any unusual circumstances. He said if this had been a binding review, they would have met with each unit and looked at every particular situation to make everything fit into the big picture with all the other levies. He said that he believes that this is probably the intent of DLGF at some point in time to consider the impact of all these taxing units and their levies on the circuit breakers. He said that they spent several hours looking at these numbers and the criteria given by the DLGF, trying to be consistent across the board. He said that it is a good start, but if they had more direction or criteria from the DLGF and it was a binding review, it could definitely be better.

Chairman Lutz asked if this comparison is from one year to the next for each entity instead of a comparison between the different units. Mr. Steele said that it is simply from one year to the next for each entity. Chairman Lutz said that they are then not looking at what one town spends on police protection versus what another spends. Mr. Steele said that they are not looking at that, and most of the submissions were not that itemized and detailed.

Councillor Pfisterer asked if the purpose of this review is to help all taxing units come in under the circuit breaker amounts that will be imposed. Mr. Steele said that he believes that was the intent and it is all a part of the tax caps. He said that the caps are levied back to the units of government based on their share of the levies and rates. He said that those units having a higher tax rate might suffer the burden of that impact, and there is no detailed analysis of how one's levy impacts another. Councillor Pfisterer asked if this review then simply recommends to the taxing unit and the DLGF that this tax rate is appropriate, although the final decision is left to the DLGF. Mr. Steele said that this is partly correct. He said that they did not look at individual circumstances, however, and if the unit decides not to use this recommendation and submit a different budget to the DLGF, the DLGF has this review in hand to help determine appropriate numbers.

Councillor Gray asked since this is a non-binding review, what the role of this Council is other than to look at these numbers. Mr. Steele said that it is the role of the Council to look at the numbers to see if they make sense. Councillor Gray asked who directed the Council to perform this review. Mr. Steele said that the State Legislature directed the Council to do the review. Chairman Lutz said that IC 6-1.1-17-3.5 requires the Council to perform this review, but there is not a lot of guidance on how to do it. Councillor Gray stated that it is important that the units and the public are aware that it was not the Council's decision to impose this review.

General Counsel Robert Elrod explained that several Legislative bodies ago, the state wanted to create one tax council to do binding reviews, and this was a compromise. Mr. Steele explained the additional handouts, and said that one reviews the budgets of the taxing units and one reviews the levies. He said that they did not change the budgets, as that is not within their purview and they would not know what to reduce, because they did not meet with each entity. He said that their budgets are not yet approved by the DLGF, and that should happen in the next couple of weeks.

Councillor Gray asked what the statute requires these units to do with regard to this review. He asked if they are compelled to meet with the city, provide budgets or abide by the recommendations. Mr. Steele said that they are only compelled to provide their budget. Councillor Gray asked what happens if they do not submit a budget. Mr. Steele said that the DLGF could deny their budget if they do not submit it, and therefore, their budget would revert to the prior year's budget. Mr. Elrod said that the statute says the units have to provide the budget in the time prescribed, and if they do not, then the

current levies and budget will be imposed for the next year. He said that, concurrently, if the Council fails to pass a non-binding recommendation within 15 days before budget passage, the city would receive the same budget as last year, as well. Chairman Lutz said that he thought it was a 30-day time frame. Mr. Elrod says that the process is actually 45 days for the units to submit their budgets for review, but the Council has to act on a recommendation 15 days before the budgets are adopted. He said that both of these dates are backed up from the date budgets are adopted by the units, and therefore the Council does not set that date. He said that if they do not submit a recommendation, however, all of the budgets they adopt Monday night will not count. Councillor Gray asked if they have to make the recommendation before passing the budget. Mr. Elrod said that they have to do the review before the units adopt their budgets. Mr. Steele said that this is still in the learning process stage, and they are starting with smaller steps to achieve the end goal. He said that the budget review form (Exhibit B) does include three budgets that are not included in the non-binding review: Beech Grove Public Library, Speedway Public Transportation Corporation, and Speedway Public Library. He said that they did look at those budget increases, and only those that increased more than 3.8% were subject to the non-binding review, and these entities did not increase more than that. He added that the Town of Clermont is not included, but most of their AV is in Hendrick's County. Chairman Lutz stated that Clermont is on the spreadsheet and is entirely in Marion County. Mr. Steele agreed and said that he meant to refer to most of the Town of Cumberland's AV being in Hancock County.

Councillor Mansfield said that some of the concerns the public seems to have is with regard to the township budgets. She said that many of these townships have enough of a fund balance that they would not need any new funds to operate in the coming year, and citizens are concerned that money continues to be collected even though it is not necessarily needed. She said that she believes part of the answer is in the way state statutes are written. Mr. Steele agreed and said that some townships do have sufficient operating balances to carry them through the coming year and he understands the concern. However, once levies are reduced, they become frozen, and are almost never then restored. He said that some townships may have an excessive balance, but without meeting with each of them individually, they do not know if there is a large project taking place to which most of those funds are dedicated. He said that projecting a reduction in the levy over several years could harm the trustee's budget in many of those townships. Councillor Mansfield said that this issue then lands at the feet of the State Legislature to correct, as it is a huge problem. Mr. Steele agreed and said that hopefully, beginning this process will bring to light some inefficiencies or new guidelines or criteria to help this project make more sense. He thanked OFM, who did most of the work and put these spreadsheets together. He said that he understands the intent of the Legislature in requiring this review, but they did not give it enough teeth to really accomplish the intent because it is non-binding.

Chairman Lutz stated that the Council does not have the authority to make the review binding or reduce levies of any of these units. Mr. Steele said that this is correct, and

they only have the authority to meet with them and ask questions; however, the units do not have to listen to the Council or their recommendations.

Mr. Elrod said that if the Council wishes to make this a more in-depth process and meet with each of the units, they would need to re-visit the ordinance recently adopted about how to handle these non-binding reviews. Chairman Lutz asked if the Council has the authority to say to an entity that they will not adopt their budget until such and such date and they will have it to the Council for review by a certain date. Mr. Elrod said that the Council can set a schedule with regard to the review, and the units do have to comply and get their information in by that time. He said that the DLGF says that the county council sets the schedule, even though it is not included in the statute. He said that the DLGF recently changed deadlines because their guidelines were not adopted until June 30th, and the units have only had 45 days to review changes. For next year, they will have more time to fully review and put reasonable deadlines in place.

Councillor Mansfield asked if there is any language that says the units have to work with the Council if they decide they want to look at their budgets in more detail. She said that it is her experience that some of these local units are more cooperative than others. Mr. Elrod said that the statute simply says that they will file a statement of proposed and estimated tax rates, levies and proposed budget for the coming year. He said that most of their budgets are prepared on a set of forms like what the Council is used to seeing. He said that he believes the Council could be more specific and believes they have a legal argument to ask for more back-up information. He said that they could draft an ordinance easily outlining these guidelines more clearly.

Chairman Lutz called for public testimony.

Mark Fisher, Greater Indianapolis Chamber of Commerce (COC), said that he provided Councillors with a packet of information including an analysis of 2008 township reports and the delinquency of those reports. He said that they did a broad state-wide analysis, working with partners across the state to look at this issue more in-depth. Chris Pryor, Metropolitan Indianapolis Board of Realtors (MIBOR), stated that the packets include financial statements filed with the state board of accounts, some filed late, and a breakdown of these statements, looking at cash balances, revenues and expenditures. He said that most of these townships have large fund balances, and Marion County as a whole had \$50 million in surplus funds, according to those financial statements. Some had very excessive revenue reports, such as Washington Township, who could operate for two full years off of their fund balances. He said that while other governmental entities are making hard choices and cutting services, they have a major concern about excessive revenues and feel this needs further examination. Mr. Pryor said that the average assistance per recipient for poor relief is very inconsistent throughout the state and between different townships, and he believes all of this needs to be looked at in preparing responsible budgets moving forward. Mr. Fisher added that they also do not know if these townships have large projects in the works, but there seems to be a lack of transparency, and maybe after the budget process, the Council could request that the

Township Trustees appear before the committee for some insight into this issue to answer questions about discrepancies, accountability and a lack of standards. He encouraged the Council to also seek a change from the state regarding making these reviews binding; but in the meantime, a statement can be sent with these non-binding reviews.

Councillor Gray said that he knows Mr. Fisher and understands that he is opposed to township government and favors consolidation. He asked, however, what the role of MIBOR is in this process. Mr. Pryor said that he holds the same position on township government and believes the main focus should be to provide the efficient delivery of government services to taxpayers. Councillor Gray asked if the MIBOR board could withstand the type of scrutiny they are requesting be used with the townships. Mr. Pryor said that he believes it could.

Councillor Mansfield said that all the township boards have public meetings, and she asked if Mr. Fisher or Mr. Pryor have attended any of these meetings. Mr. Fisher said that township boards are required to meet four times a year, but he has never seen a public notice, and they do not have notification of their meetings readily available as the Council does.

Chairman Lutz stated that the township boards may be required to meet four times a year, but many of them meet monthly, and often on the same day of each month. Mr. Pryor said that there is a very complicated nature in the structure of government, and there are many different local hearings, but these budgets should be looked at in a full picture. Chairman Lutz said that, unfortunately, this body has no authority to control these units' budget at this time, and he would like for the discussion to remain germane to the non-binding review. This review does not compare the different entities with each other, but simply is an attempt to look at each unit based on prior years' budgets and using consistent criteria.

Councillor Plowman said that he agrees that the city needs to be concerned about efficient delivery of services to the taxpayers. He said that whether or not anyone likes township government, it is almost gone, and much consolidation has already taken place. He said that the only responsibility left for many of these townships is poor relief. He asked if Mr. Fisher and Mr. Pryor are also advocating getting rid of the cities and towns within Marion County as separate entities. He said that it would be hard to say to Beech Grove or Lawrence residents that their local representatives do not count. Mr. Fisher said that he believes the taxpayers are winners with consolidation, and they need to take a serious look at all layers of government. He said that if they cannot consolidate and eliminate some of these layers, then they need to open them up for more transparency. Councillor Plowman stated that Franklin Township is having a board meeting tonight at 7:00 p.m. and he is personally inviting Mr. Fisher to attend. Mr. Fisher stated that he has a small child at home and cannot attend at such short notice.

[Clerk's Note: Councillor Malone left at 6:21 p.m.]

Councillor Pfisterer thanked Mr. Fisher and Mr. Pryor for this information and encouraged the public to find out where and when their local board meetings take place, and get involved. Mr. Fisher said that he has never seen a public notice of township meetings and it is often hard for people to get involved locally. Councillor Pfisterer said that many citizens and organization representatives attended budget hearings, and it is important for taxpayers to get involved and find out where their money is going. Mr. Pryor said that this highlights the complicated nature of the process, as there are so many layers and units for people to keep up with, that the average citizen does not have the time to attend all those meetings. Mr. Fisher agreed and said that if they had binding authority for review, it would be easier for the public to attend one binding review meeting. Councillor Pfisterer said that she wants to make it clear that this is not a power grab by the Council, but that they simply want to open up the process to provide more transparency. She added that notices for board meetings have to be posted 48 hours in advance. Mr. Elrod concurred and said that regular board meetings are usually just posted in the township offices, but budget notices must be published in the newspaper. Councillor Pfisterer encouraged individuals to call their Trustee's Office to find out when their township's next meeting is.

Councillor Gray said that he will make sure that Center Township, of which Mr. Fisher is a resident, sends Mr. Fisher an invitation to their next township board meeting.

Councillor Mansfield said that perhaps the local units can include their notices on the calendar on the city's website, where many different events and board meetings are posted. She said that she wants to make it clear that the Council has no authority over the township budgets. She is a fan of consolidation, but the change has to be made on the other end of Market Street by the State representatives. Mr. Fisher said that as the local legislative body, it is his hope that the Council could send a strong message to state legislators and they would take their advice. He said perhaps the Council could make a public statement through passing a resolution. Mr. Pryor added that the Council can be a voice for the citizens of Marion County.

Tom Batista, Center Township resident, stated that his business is in a building across from the Center Township Trustee building and he cannot find out when the Center Township board has meetings, who is on their board or what that building is used for.. Councillor Plowman said that the Clerk's Office and Election Board could tell Mr. Batista who is on the board. Chairman Lutz suggested that Mr. Batista then contact his representative on the board to find out about meetings and have his questions answered.

Gary Ryder, Center Township resident, referred to an article published in 2004 about the expenditures of non-profits, and stated that only 38% of the Center Township Trustee's budget is spent on poor relief, while non-profits spend almost 80% of their budget in helping the less fortunate. He said that even though this is a non-binding

review, they can force them to have a discussion and make the program expenditures a part of the public record.

Jim Rush, president of the Meridian Hills Town Council and Chair of the Town of Meridian Hills' finance committee, said that he has a background in banking, and there seems to be a conflict in requiring a review with no teeth. He said that their council publishes agendas and posts signs in yards as required by law and welcomes input from citizens. He said that 95% of their budget goes toward police, roads and streets. He said that if citizens get involved, they will understand the reason and need for local government entities. Bernie Bruno, assistant treasurer for Meridian Hills, stated that there was a math error in the 2008 budget, which was corrected by the DLGF in 2009. He said that their contact at the DLGF, Ron Stinson, recommended that they make this error known during this review process and ask that the recommended levy be reconsidered and that this error be taken into account.

Chairman Lutz said that he recognizes that many of the included cities and towns run their councils very efficiently and meet the needs of their residents extremely well. He said that he would like to keep comments germane to the subject of this budget review, however, and not lean toward discussion about the policy of consolidation.

Councillor Mansfield asked what the error is in the Meridian Hills budget. Mr. Bruno said that there was a math calculation error in their certified 2008 AV, and it was certified too low. Mr. Rush added that using that certified AV number would cause them to have an \$11,000 shortfall in their budget. Chairman Lutz said that this spreadsheet is non-binding, and the DLGF would be able to correct that error. Mr. Bruno said that the DLGF recommended, out of respect for the process, that they bring this error to the Committee's attention so that it is part of public record. David Reynolds, City Controller, stated that he will work with Meridian Hills in moving forward to correct this issue. He said that the 1782 Forms for 2009 were just released this evening, and he will work with them and make sure the proper levy is reported. Mr. Steele agreed and said that he would recommend they pass the review this evening as is and confirm and correct the error Monday night based on 2009 certified amounts.

John Drake, resident of Washington Township and employee in Center Township, said that most social services organizations have an overhead rate under 20% of their budget, but the Center Township Trustee's overhead is 44% of his budget. He said that this means that they are spending \$3.50 in administrative costs for every \$1 used for poor relief. He said that this might be non-binding, but this body has some contact with legislators and he would hope they would seek some changes. Chairman Lutz encouraged Mr. Drake to attend township board meetings and speak to his state representative to let his voice be heard.

Travis Coleman, citizen, said that he has grave concerns about the parks and arts program cuts. Chairman Lutz said that those budgets have already been reviewed in another committee, and he is only taking testimony at this time regarding the non-

binding review of civil taxing units. Mr. Coleman said that it is sad that Marion County trustees are sitting on \$50 million in fund balances when the Council and city administration is struggling to find funds to cover essential services and quality of life services, such as for police, parks and the arts. He said that \$50 million would cover the arts grants for 50 years. He said that his comments are germane to the non-binding review because the Council needs to consider how the townships are using that money that comes from the taxpayers to benefit the county's citizens.

Sandra Mallon, citizen, said that she has been to township board meetings, and she received a 60-page budget with 28 itemized lists, but yet these handouts show five lines with one line of costs for township assistance. She said that even though this review is non-binding, it would be beneficial for them to meet with the townships and talk to them, as they might have more influence with them than the average citizen. She encouraged others to get involved, even though it might seem hard at times, and added that usually the representatives are pretty helpful. Mr. Steele asked Ms. Mallon which township meetings she has attended. Ms. Mallon said that she lives in Perry Township.

Laura Cox, citizen and small business owner, said that she knows so many people who are really struggling to make ends meet right now, and there needs to be transparency and accountability for the trustees as to where their tax dollars are going.

Chairman Lutz thanked Pat Andrews, vice president of the Marion County Alliance of Neighborhood Associations (MCANA), for attending so many of the budget hearings, asking good questions and being involved in the process. Ms. Andrews stated that it is sad that the biggest public participation seems to be with regard to a non-binding review of budgets, and she wishes more citizens would become involved in all aspects of the budget hearings. She said that her township trustee said that they would not tell her when meetings were held, but some of the board members have agreed to keep her informed. She said that the sad thing is that most people will not actually attend, even if they knew when and where these meetings took place. She asked with three of the townships consolidating their fire departments (Perry, Washington, and Warren), what other duties, besides poor relief, remain for the township governments. She said that these townships still have substantial budgets, even though many of their responsibilities have been absorbed within the city budget. Chairman Lutz said that the townships also oversee cemeteries. Mr. Elrod added that they also have funding for small claims courts, facilities and personnel. Chairman Lutz encouraged Ms. Andrews to call the township board and ask what their budgets fund. Ms. Andrews said that the small claims courts are usually money makers for the townships. Mr. Elrod said that this may be true, but they would still have to submit a budget up-front to include these costs.

Chairman Lutz asked if the Committee needs to take an official vote on a proposal. Mr. Elrod said that Proposal No. 361, 2009 is attached in their meeting packets and will be acted on in the same evening that it is introduced under Priority Business Monday

evening. He said that the proposal does need to be amended to eliminate the current Exhibit A and change it to the spreadsheets provided this evening.

Councillor Pfisterer moved, seconded by Councillor Mansfield, to “Amend” Proposal No. 361, 2009 to replace Exhibit A with the spreadsheets provided this evening. The motion carried by a vote of 6-0.

Councillor Plowman moved, seconded by Councillors Pfisterer and Gray, to send Proposal No. 361, 2009 to the full Council with a “Do Pass As Amended” recommendation. The motion carried by a vote of 6-0.

There being no further business, and upon motion duly made, the meeting was adjourned at 7:05 p.m.

Respectfully Submitted,

Robert Lutz, Chairman

RL/ag