UPPER ARLINGTON PUBLIC LIBRARY
Board of Trustees Meeting

Special Meeting
September 28, 2006 7:30 a.m.

President Magill called the meeting to order at 7:34 a.m.

MEMBERS PRESENT

John Magill, Brian Perera, Megan Gilligan, John Burtch, Charles Motil and Bryce Kurfees.

MEMBERS ABSENT

None.

ALSO PRESENT

Ann Moore, Library Director; Kate Porter, Assistant Director; Terri McKeown, Clerk-Treasurer; Dan Boda, UAPL Levy Chairman; Becky Princehorn, Bricker & Eckler; Lynda Murray, OLC; Sherman Wallace, Facilities Manager; Nancy Roth, Administrative Secretary; Chris Bournea, This Week UA; Lyndsey Teter, UA News; UA citizens.

Moore introduced Sherman Wallace, newly-appointed Facilities Manager, to the Board. Wallace said he had been on the Facilities staff for nearly six years. He noted that he has worked at all three buildings and was given a lot of information over the years about the buildings by Mike Kaylor, former manager. Wallace said he was looking forward to learning more and to applying his new knowledge to the position.

LEVY PRESENTATION

Becky Princehorn began by presenting the Board with copies of a document entitled "Library Financing Alternatives" which she had prepared as general information for library clients of Bricker and Eckler. Princehorn referred the Board to a chart on page 15 of the document. The key issues for libraries facing a levy campaign were listed in the first column. The considerations are:

1. Name on the ballot
2. Who votes
3. Type of issue (levy or bond)
4. Governing statute
5. Issuer
6. Security
7. Debt Limit

Of these issues, Princehorn noted that the name under which a levy appears is the most critical. She noted that UAPL is not a taxing authority and that any levy issue would have to be placed on the ballot by the City of Upper Arlington. If the levy is requested under ORC 5705.23, the library's name appears on the ballot and the city has no discretionary latitude in placing the issue on the ballot. If the levy is requested under ORC 5705.19, the name on the ballot is that of the taxing authority, i.e., the City of Upper Arlington, in support of the library. Under this statute, the city does have discretionary authority to place or refuse to place the requested levy on the ballot.

Princehorn then referred the group to page 4 of the document. This section outlined the procedural steps required to place a levy on the ballot. The steps are:

1. Passage of a Resolution requesting Certification from the County Auditor.
2. Certification from the County Auditor.
3. Resolution Requesting the Taxing Authority to Submit the Levy.
4. Action by the Taxing Authority to declare the necessity of the Levy.
5. Taxing Authority certifies all the foregoing documents to the Board of Elections.

Princehorn said that the resolution requesting certification from the County Auditor requires a two-thirds majority vote by the Board. She said that the passage of Ohio H.B. 66 has shifted the tax burden from business and industry to residential and agricultural property. This, in turn, has led to the development of new forms and worksheets to assure that calculations of needed mils are accurate. The shift has made current calculations difficult since the measure is being phased in over time.

It was noted that the taxing authority must submit the necessary certifications to the Board of Elections no later than 75 days before the election. It was noted that elections are regularly held in February, May, August and November. There was conversation among the group as to whether appearing on the ballot in May constituted a special election. McKeown reported that the Franklin County Board of Elections had indicated that it was a special election. Princehorn indicated that she did not feel that it was, but also noted that with the increase cost of election due to the new electronic voting machines, Boards of Elections are attempting to share the cost of the electoral process. She said that the Board of Elections can wait until just before the 75th day prior to the election to declare whether it is a special election or a regular election.

Princehorn said that the cost of the election, if determined to be a special election, would be shared by all parties that appear on the ballot. She noted that in an odd year election, as would be the case in 2007, there are fewer items on the ballot. This would mean that the cost would not be shared by as many parties, but it could also mean that there would be less competition for voter attention and approval.

Princehorn said the challenge will be working backward from the 75th day deadline and planning each step of the process to accommodate the time the city will need to take action under their current process of three readings at City Council meetings, etc. Magill noted that the 75th day is February 23, 2007. He pointed out that action would need to be taken by the Board in October or November in order to get the certifications to the city in sufficient time for their process. He said that the certification from the County Auditor would need to be presented to the city in December. Princehorn noted that she would remain involved in the process to draft the resolutions and oversee the various stages of the paperwork.

Princehorn explained the difference between a Levy Renewal versus a Levy Replacement. This is summarized in the chart below.

Renewal	Replacement
Continues at current effective rate. No reduction in the first year of renewal.	Replaces current effective rate back to the original amount, but with an immediate reduction factor in Year 1.
Effective rate may continue to decrease as reduction formula is applied to counter-balance inflation.	Effective rate decreases as with renewal, but from an assumed higher mil starting point.
Static mil amount.	Could present a reduction in mil assessment and still reflect an increase in funds.

It was noted that the timing of property reappraisals is the key in levy calculations. If it is early to middle in the reassessment cycle the estimation of funds generated by the levy can be expected to be more reliable. Proposing a levy towards the end of a reassessment cycle could lock in a mil figure that would be inadequate to serve the needs of a growing population. Princehorn said that the tax base for UA is fairly stable since no large businesses are being removed from the base and no large new construction is expected, unlike areas like Hilliard and Dublin.

McKeown said that the effective rate of the current levy is about 1.4 mils. Princehorn said that there are five options:

1. A renewal levy.
2. A renewal levy with an increase.
3. A replacement levy.
4. A replacement levy with an increase.
5. A replacement levy with a decrease.

Princehorn suggested that models of the various options should be generated to demonstrate the financial impact of each option with different millage amounts. These should then be studied to determine which option provides the funds needed for the future.

Lynda Murray distributed a report to the Board entitled "Analysis of Proposed Tax Levies for Library Purposes." She said that the report was a study of library tax levies over the past twenty years and the effects, if any, of specific variables on the passage or failure of those levies. The conclusion of the study was that there were no specific trends identified. Murray noted the definition of "special election" as used for the purposes of the study meant February or August. She said that there did not seem to be a lot of difference in success in those levies that appear in May and those that appear on a November ballot. She noted that the advantage to being on a May ballot is that if the levy would fail, a second opportunity would be open in November before the current levy terminates at the end of the year.

Murray said that new levies do not do as well as replacement or renewal levies. Public libraries do pass levies at a rate of over 70%. She noted that scrutiny of the documents and process was important, citing instances where there were lapses that led to difficulties for other libraries. Murray noted that over the past two years, there has been a decline in the success of levies for libraries. She attributed this to the freeze in funding that has forced smaller libraries to attempt new levies in order to bridge the gap in needed funds.

Murray said that the effect of the decrease in the tangible personal property tax from business and industry was still an unknown factor on future elections. She noted that mill rates might have to be increased in order to generate the same amount of revenue. Therefore, voters, who might have reacted favorably to a renewal or replacement levy in the past, might not support a larger levy request. She also noted that this decrease in Upper Arlington may not have much effect.

Motil asked whether past levies have been renewal levies or replacements. Boda said that levies in 1997 and 2002 were both replacement levies. He noted that the original levy was passed in 1992 with 52.5% of the vote. The replacement levy in 1997 passed with 76% of the vote with a large voter turnout about 15,000 voters. In 2002, the replacement levy passed with 64% of the vote from about 8,000 voters.

Murray noted that there appeared to be no impact when a school district has a levy on the ballot at the same time as a library. She said that schools get nervous when both are on the ballot, so libraries do try to avoid appearing on the ballot on the same time. She noted that the competition for funding and support will continue to be more intense as government funds shrink.

Murray distributed a second report entitled, “Local Government and Library Revenue Distribution Task Force Report.” She noted that the report provides the LLGSF with a 3% increase. It then uses that figure as the baseline to determine a new percentage of total general revenue fund tax revenue to fund the LLGSF. This would eventually get the LLGSF into a growth track rather than relying on a static revenue source.

Perera noted that the report is a draft and the big question is what a new administration might do with the proposal. Murray said that it does reflect the desire of the legislature to bring libraries and local governments into a recovery position as the state weans itself from reliance on business and industry tax dollars. Murray reiterated that the draft is not statute at the present time. In response to a question, Murray said that about 74% of the state’s libraries rely exclusively on LLGSF for funding. Those tend to be smaller libraries. She said that about 58% of the population is served by libraries that have levies. She noted that the largest library in the state, Cincinnati, does not have a levy.

Princehorn said that levy planning and modeling for continued availability of LLGSF funds has been a challenge over the past couple of years. Magill asked about the duration of levies that have recently been proposed. Princehorn said that this was also a difficult issue. Murray said that five years is a norm. Kurfees noted that forecasting the reduction factor ten years ahead would be hard for an entity to project. Murray noted that a 10 year levy might put a library in the position of having to initiate a second levy while the first is still in effect in order to address budget shortfalls if the reduction factor does not behave as projected.

Princehorn noted that libraries that have a capital project embedded in their levy proposal have an even more difficult task of modeling and projecting future needs, LLGSF funding availability, debt service needs and other factors.

Magill noted that the UAPL levy provides approximately 40% of the library's capital. As such, it has a large effect on the ability of the library to function as a vibrant and responsive institution in the community.

Murray said that the OLC looks to library boards to identify the following questions:

1. How much millage is needed?
2. How long is the levy to run?
3. When is it to appear on the ballot?
4. What is the substance of the message to the community about why a levy is needed?

She noted that the last question would be affected by the outcomes of the strategic planning process which is being finalized. Princehorn pointed out that the constituency of the library is a cradle to grave demographic. She said that because the Library is available to serve and benefit every member of the community, it can make a levy campaign easier.

It was noted that the current levy runs through the end of 2007 and accounts for 40% of the library's revenue. Magill said that placing the levy on the May ballot would allow the library to approach the voters again in November if the May effort was unsuccessful. Burtch noted that the task force report presented by Murray was better than expected.

Magill said that models of various levy options should be prepared for the Board to review at the October meeting. The resolution to request certification from the County Auditor should be ready for passage at the November meeting, at the latest, in order to respect the city's processing time. He noted that the Finance Committee will be meeting on 10/3/06. He requested that the Finance Committee prepare a recommendation to the Board of the type of levy, duration of the levy and the millage requested.

McKeown noted that the County Auditor's office has indicated to her that projection figures will be more accurate after the coming election. Princehorn said that she would try to obtain a worksheet that the Auditor is using for McKeown to review. Murray said that should be weighed against the city's need for lead time in processing the levy request, particularly since the community is not one that will have a large shift in the tax base.

McKeown noted that some preliminary planning has been done through the strategic planning process and looking at other improvement projects at the library. Princehorn noted that it is possible to request several certifications from the County Auditor through multiple resolutions in order to keep options open. The Board can then pick one of the certifications to be sent on to the city.

Perera suggested that information be prepared for use in the levy campaign to demonstrate to homeowners what effect the levy would have on their particular tax situation. McKeown also noted that the Franklin County Auditor's website has a similar tool available for homeowners to use. It was also noted that any levy request must be budget based so that voters have a clear idea on how the funds are being planned to be used.

It was noted that while HB 66 is being phased in, a "hold harmless" clause is in effect through 2011. This would mean that the state would reimburse the library for the changes in the tax base brought about by the bill. After 2011, a sliding scale would be in effect through 2018, to help soften the impact of the tax changes.

Following additional discussion, it was decided that the Board should look at models based on renewal and replacement levies of 1.4, 1.6, 1.8, 2.0 and 2.2 mils for five years. In addition, the Board asked to have models of renewal and replacement levies at 1.4, 1.8 and 2.0 mils for ten years. The Board asked for data on millage rate; the dollars generated at that rate by a renewal versus a replacement level, and the cost per $100,000 for homeowners in Upper Arlington. It was noted that the strategic plan should be available for review by the Board prior to the October meeting. A final decision on what the exact nature of the levy would be expected to be made at the November 16th Board meeting.

Magill asked that Princehorn plan to attend the November 16th Board meeting to monitor the process of getting the paperwork ready to present to the city.

ADJOURNMENT

Motil made a motion to adjourn the meeting. Burtch seconded the motion. VOTING AYE: Motil, Burtch, Gilligan, Perera, Kurfees and Magill. VOTING NAY: None.

Meeting adjourned at 8:56 a.m.

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John Magill, President

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John Burtch, Secretary