

# An Analysis of Projected Financial Impacts of a Possible Sylvania Township - City of Sylvania Merger



URBAN AFFAIRS CENTER

January, 2007

## **Dr. Hugh Hinton**

Director, Master of Public Administration Program  
Dept. of Political Science and Public Administration, The University of Toledo  
Faculty Research Associate, The Urban Affairs Center

## **Dr. Lynn Bachelor**

Dept. of Political Science and Public Administration, The University of Toledo  
Faculty Research Associate, The Urban Affairs Center



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Prepared for Sylvania Community Improvement Corporation (CIC)  
January, 2007

By The University of Toledo Urban Affairs Center

**The University of Toledo  
Urban Affairs Center  
2801 W. Bancroft St.  
Toledo, Ohio 43606  
419-530-3591  
E-Mail: [uac@utoledo.edu](mailto:uac@utoledo.edu)**

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**<http://uac.utoledo.edu>**

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## Introduction

This study by the Urban Affairs Center (UAC) at The University of Toledo was commissioned by the Sylvania Community Improvement Corporation (CIC) to examine financial impacts of a possible merger between the City of Sylvania and Sylvania Township. In conducting the study, we have focused on projected changes in revenues and expenditures associated with a merger, in particular, property and income tax collections and costs of local government services; we have also estimated the likely effects of these changes on major community stakeholders: city and township residents, and businesses and workers in the city and township. In limiting our analysis to financial concerns, we do not imply that these are more important than other concerns.

Our research for this study began in July 2006. In preparing this report, we drew upon data from multiple sources, consulted with many public officials and community leaders, and met regularly with members of the CIC to respond to questions and ensure that we were addressing the issues that were important to them.

The first step in our research was to conduct background interviews with officials of the City of Sylvania and Sylvania Township to familiarize ourselves with their perspectives on the important financial concerns raised by a merger. Next, we explored the experience of other Ohio communities, through academic research and telephone interviews, to identify factors associated with positive or negative merger outcomes, and similarities and differences between those communities and Sylvania. Insights from this background investigation guided our examination of the likely effects of a merger on expenditures and revenues; we began by compiling budget information, then conducted interviews with city, township, county and state officials to investigate the effects of a merger on service levels and costs.

Estimation of revenue sources for a merged community proved to be the most difficult part of our research, due to the data limitations outlined below; consequently, we have the most reservations about revenue projections and their impacts on key stakeholders. Despite the cooperation of officials in all the government agencies contacted, we were unable to obtain accurate data on all of the financial elements associated with a merger. An accurate projection of income tax revenues for a merged community requires information on business profits and size of payrolls in Sylvania Township as well as the number of residents who do not currently pay income tax to any municipality. Neither the U.S. Census nor the Ohio Department of Taxation compiles such information, so we were forced to estimate income tax revenues by various indirect means. Similarly, in estimating intergovernmental revenues and shared revenues from the state and county, we believe our estimates are correct unless there are changes in the current formulas for distributing the affected revenues.

## Acknowledgements

It would have been impossible to complete this study without the assistance of numerous individuals who shared their knowledge and insights about legal, financial, and other aspects of local government mergers.

From the initial stages of our research to the final draft, the following officials of the City of Sylvania and Sylvania Township contributed time from their pressing duties to provided valuable background information and review of the factual accuracy of the final draft.

Craig Stough, Mayor, City of Sylvania  
Barbara Sears, President, Sylvania City Council  
John Plock, Finance Director, City of Sylvania  
Jeffrey Balmer, Director of Public Service, City of Sylvania  
James Moan, Director of Law, City of Sylvania  
Judge Scott Ramey, Sylvania Municipal Court  
George Eichenauer, Treasurer, City of Sylvania  
Carol Contrada, Sylvania Township Trustee  
Pamela Hanley, Sylvania Township Trustee  
Dave Simko, Sylvania Township Clerk  
Hugh Thomas, Sylvania Township Administrator  
Gregory Huffman, Public Works Manager, Sylvania Township

Pat Nowak, Executive Director, Sylvania Area Chamber of Commerce, assisted us with estimates of business membership and employment for the City of Sylvania and Sylvania Township. David Gedeon, Transportation Project Manager, Toledo Metropolitan Area Council of Governments, provided detailed data on places of residence of workers in Sylvania Township and the City of Sylvania from the Census Transportation Planning Package that was invaluable in projecting income tax revenues.

The following Lucas County, State of Ohio, and other officials provided information on costs of services, tax structure, and other intergovernmental revenue and expenditure issues:

Keith Early, Lucas County Engineer  
Dan Hiskey, Lucas County/City of Toledo administrator  
Larry Vesko, Lucas County Health District  
Thomas Nichter, Chief Deputy, Lucas County Auditor  
Jan Merrit, Appeals Division, Lucas County Auditor  
Kevin Helminski and Jim O'Neil, Lucas County Sheriff Department  
Cheryl Kizaur, Lucas County Office of Management and Budget  
Don Wonnell, Labor Market Analyst, NW Region, Ohio Job and Family Services  
Layth Istefan, Highway Management Administrator, ODOT Region 2  
Michael Cochran, Executive Director, Ohio Township Association  
John Mahoney, Deputy Director, Ohio Municipal League

Edward Albright, Senior Legislative Assistant, Ohio Municipal League

We also benefited greatly from the insights on the merger experiences of other Ohio communities provided by the following officials:

David Rowlands, City Manager, City of Clayton  
Ted Gudorf, former Mayor, City of Clayton  
Joyce Deitering, Mayor, City of Clayton  
Kenneth Curp, Mayor, City of Riverside  
Lois Singleton, Clerk of Council, City of Trotwood  
Don Robart, Mayor, City of Cuyahoga Falls  
Sheilah H. McAdams, Law Director, City of Maumee  
David C. Hazard, Finance Director /Municipal Clerk, City of Maumee

We are grateful to members of the Sylvania Community Improvement Corporation and the Merger Feasibility Study Committee for their invaluable feedback as the report was developed.

Ultimately, however, the responsibility for the analysis in this report, the interpretation of data, and for any errors and omissions rests with the authors.

## Executive Summary

This study examines the financial implications of a possible merger between Sylvania City and Sylvania Township. Its purpose is to provide objective information which leaders and residents of these communities can use as the basis of determining whether, and if so how, to proceed with a proposed merger between the two existing jurisdictions. Through the use of available data, we will clarify the costs and benefits to each of the identifiable parties in the city and township.

There are three sections in the study, each of which deals with important questions for a proposed merger and presents the information that is available to answer them. Section I reviews the experiences of other communities which have considered mergers and presents their lessons for this specific situation. Section II examines the financial consequences of a merger to determine the advantages and disadvantages of a merger to each community. Section III examines the effects that a merger would likely have on the different stakeholders in both communities.

### Section I

Both professionals and academics have largely ignored analyzing the procedures and results of the merger process in Ohio. The two state associations representing municipalities and townships, The Ohio Municipal League and the Ohio Township Association, provide little guidance to their members about the pros and cons of mergers. The only academic literature we discovered was a graduate paper from Ohio State University (OSU), which was very helpful but only covered the period through 1996. The author did, though, provide a useful summary of reasons communities considered a merger and the issues that developed during the merger process. The first of these are *reasons for considering a merger*:

- The most important reason was to prevent annexation of township lands by a larger community. This does not appear to be a relevant argument for considering merger between Sylvania City and Township, unless it takes the form of preventing piecemeal annexation over a long period or if an actual annexation threat by Toledo occurs.
- The second most common reason reported for considering a merger was economic development, in some cases separate from annexation, and in other cases as an extension of annexation concerns. It allows two separate political entities to combine their resources to more effectively compete with other communities rather than with each other.
- The third important reason was to protect the funding and tax basis for the school system, which does not appear to be relevant for this case, since they already have a combined system. Other reasons cited, though, might be relevant, including managing growth in the area, funding services with the income tax, and the unity of being one community.

The second aspect of proposed mergers covered in the OSU graduate paper was the issues that developed during the merger process, particularly the political, legal, financial, and operational impacts of a merger.

- The form of government that the merged community would take is an obvious issue.
- The kind and level of services to be provided and the means of financing these are a second issue.
- The loss of identity as a rural township is another issue which is not likely to be significant if this merger process continues
- Job security and employee benefits in turn is likely to be an issue which would complicate the merger process between Sylvania City and Township, particularly since the latter has more employees than other townships which have been involved in merger attempts.
- Educating the public so that voters have objective information about both the positive and negative consequences of the proposed merger is important for refuting misinformation distributed through anonymous rumors.

Our review of other mergers or merger attempts confirmed the importance of these issues, and suggested specific lessons for the Sylvania Township-City of Sylvania case:

- Because the township and city already have high levels of service and both already finance two of the most expensive services—police and fire protection—it is possible to more accurately estimate expenditure needs of a merged community.
- The most expensive remaining service is the road servicing provided by the County Engineer and ODOT.
- Because Sylvania Township has a large number of public employees, their job security could become a driving issue in a merger attempt.
- In contrast to a number of merger attempts, Sylvania City and Township are both urban and have a long history of close cooperation.
- It is important that the merger process be open and transparent so that false rumors and distrust do not gain credibility.
- Similarly, proponents of a merger should be cautious about overselling the advantages of a merger, particularly in presenting an unjustifiably optimistic financial scenario.

## ***Section II***

Section II examines the financial consequences of a merger in order to determine the financial advantages and disadvantages of a merger to each community. We utilized budgeted revenues and expenditures for 2006 and actual revenues and expenditures and other financial data for 2005. The revenue and expenditure estimates are based on the following assumptions:

- Alterations in the life style and service level of each community would be as minimal as permitted by state law and local conditions, such as public health and safety.
- The merged community would assume the financing instruments of the current city and reduce as much as is financially feasible the property taxes currently collected by the township.
- The merged community would shoulder the costs of township services previously borne by Lucas County and the State of Ohio.

We emphasize that these assumptions are not intended to be interpreted as recommendations but rather as a basis or a starting point for discussions and decisions by the actual stakeholders in a merger decision. Using these assumptions, we first examine probable expenditure changes in a merged community and then review the revenue changes that will be needed to cover these expenditures.

### **A. Expenditure Analysis.**

Public sector finance utilizes funds, which limit designated receipts to specific disbursement activities. Not all funds used by the city and township correspond. Because the merged community would be a municipality, we have used the City's classification, and have noted the sources of revenue that would replace "township-only" funds.

- The most significant changes in expenditures resulting from a merger between the City of Sylvania and Sylvania Township are in the areas of street construction maintenance and repair, engineering services, capital improvements, courts and corrections, refuse collection, income tax administration, and pension funds.
- Should the city and township merge, the newly formed city would take over the following additional **street construction, maintenance and repair (SCM&R)** and related public works responsibilities: 1) current county engineer responsibility for maintenance of county roads (including signals and other related matters), ditches, and engineering services in the township; 2) current ODOT responsibility for maintenance of the portions of US 23, Central Avenue, Monroe Street, Reynolds Road and Alexis Road that are currently within the township boundaries. The Lucas County Engineer estimates the operating, maintenance, and capital costs for the County responsibilities that would be transferred to a merged community at **\$2,832,000**, including engineering, maintenance, and capital costs. The estimated cost of maintaining the portions of US 23, Central Avenue, Monroe Street, Reynolds Road and Alexis Road that are currently within the township boundaries is **\$565,000**.
- The Lucas County Engineer estimates that additional **capital improvement expenditures** for township areas are **\$1,718,000** (included in the previous total). We estimate additional capital improvement expenditures for township areas currently maintained by ODOT at **\$334,000**.
- Expenditures for **courts and corrections** could involve a significant financial commitment that is difficult to predict. In a merged community, the city would likely assume responsibilities for the costs of prisoners now covered by Lucas

County. The current additional cost to the merged community is estimated at **\$400,000**.

- The City of Sylvania provides a three-container limit **garbage and refuse pick up** for its citizens. The fees charged for this service are paid into the general fund and do not cover the expenditures, so the deficit would increase by approximately **\$300,000** in the event of a merger.
- The **income tax division** will likely be required to double its personnel in order to process the increased demand if the income tax is extended to current township residents and employers. We estimate additional expenditures at **\$320,000**.
- The costs of **engineering services** will increase as the merged community assumes responsibility for those services provided by the Lucas County Engineer to Sylvania Township and by the Ohio Department of Transportation (ODOT) for the state highway system located within the Township. The County Engineer estimates current expenditures for this service at **\$441,000**, and we estimate the ODOT costs at **\$86,000**. These amounts are included in the previous totals.
- In the case of a merger, the new community would continue to fund fire and police pensions at least at current levels, with additional costs of approximately **\$90,000** to bring Township contributions up the state mandated level for municipalities. However, these would be financed by earmarked property taxes.

Our analysis indicated that minimal changes would occur in other areas of expenditure:

- In the **general fund** the aggregate for the following areas will remain relatively unchanged if the communities merge:
  - City expenditures for **parks and forestry** and **swimming pools and concessions** would initially remain relatively unchanged, but could increase if facilities were developed in the current township and if additional personnel were hired to provide new services. Aggregate expenditures for **zoning** also could increase if additional personnel are needed for this function.
  - Expenditures for **police services** in a merged community can be expected to remain close to the aggregate of these two totals. We assume that the township budgeted police pension expenditures would be covered by special property taxes rather than transferred from the general fund, reducing police expenditures from the general fund by this amount.
  - The cost of **fire services** for both communities is known, since they are provided by a joint fire district. Again, we assume that the budgeted pension expenditures would be covered by special property taxes rather than from the general fund.
  - Expenditures for **street cleaning** are financed from the general fund in the city and from the streets department budget in the township. We assume that in a merged community, these expenditures would also be financed by the general fund.

- **Special assessments** are charges imposed on real property to help pay for a local improvement that benefits the property. The City of Sylvania currently maintains three special assessment funds: for street lighting, tree maintenance, and ditches and drains. Sylvania Township only has a street lighting fund. The **street lighting funds** for the city and the township are financed by a front foot assessment of property. Since this study assumes minimum changes of existing practices in case of a merger, and these funds are self-supporting, they are not included in our calculations.
  - The **tree maintenance fund** of the city is financed almost entirely by an assessment of \$.30 per front foot of property. If applied in a merged community, this assessment is estimated to generate approximately **\$434,000** annually in additional revenue. It is the consensus of the City Public Service Director and the Township Public Works Manager that the amount raised by extending the special assessment will be sufficient, if barely, to cover the additional costs for tree maintenance in the merged city.
  - The **ditches & drains fund** of the city has two sources of financing: another \$.30 front foot assessment and transfers from the Sewer Fund. Ditches and drains in the Township are currently the responsibility of both the County Engineer and the Township Road Department. Since these units do not distinguish ditches and drain expenditures from other responsibilities, the current costs of these services cannot be calculated. Revenues from extending this assessment throughout a merged community might not be sufficient to adequately cover this service.

**Summary of Expenditures.** We estimate that in the case of a merger, total expenditures in all funds will be greater than the current combined expenditures of these funds in the existing city and township: the general fund by \$514,000, SCM&R by \$800,000, special assessments by \$868,000, capital improvements by \$2,052,000, and employer contributions to the police pension fund by \$90,000.

## **B. Revenue Analysis**

- For the City, most of the **general fund** is financed by the 1.5% income tax and a 3 mill property tax. The Township general fund has more diverse revenue sources, the largest of which is a .5 mill property tax currently levied in both the city and township, as well as various intergovernmental sources. The major revenue change that can be anticipated in the case of a merger would be the increase in income tax revenue as it is applied to businesses, employees, and residents of the township.

Assuming the 1.5% **income tax** of Sylvania City would be applied to a merged community, we estimate that the result would yield an additional \$12 million in revenue, for approximately \$20,000,000 as currently budgeted. Revenue would be greater if the merged community taxed at a higher rate or allowed only partial

credit for income taxes paid to other jurisdictions. It would be lower if the rate were to be reduced.

- Increased revenue from the income tax will likely permit the elimination of the 7.40 mill **property tax** which currently funds the fire district for the city and the township. This increased revenue also can likely replace the 9.70 mill property tax which finances the township police department. In addition, both the township and the city levy a property tax paid into their respective general funds. The township tax of .50 mills, which also applies to the city, could be eliminated. It would still be necessary to retain all or part of city's 3.0 mill property tax and extended it to the current township; general fund revenues would increase by an estimated \$2.7 million if the 3 mill tax were applied to township property.
- As indicated above, we assume that the city would continue its three-container limit **garbage and refuse pick up** and extend it into the current township. The revenues from the fees charged are projected to increase from \$345,000 to \$805,000, with a deficit increase of from \$219,355 to \$510,000.
- Both jurisdictions currently receive revenue from Lucas County's local **government fund and local government assistance fund**, and the current total would not likely increase, at least in the immediate future.
- In addition, the **Sylvania Municipal Court** would retain the amounts now paid to the Sylvania Township Trustees and the \$35,000 paid to the Lucas County Law Library.
- The **street construction, maintenance, and repair (SCM&R)** functions in both communities are financed by state shared revenue of the gasoline tax and vehicle registrations, as well as permissive license taxes that each assesses on vehicles registered in their respective communities. In addition, the township levies a 2.30 mill property tax earmarked for streets, and the city transfers some funding from the general fund to support SCM&R. The following changes can be anticipated in case of a merger.
  - **Shared Revenues** from the **gasoline tax** and **vehicle license fee** are calculated with complex formulas based on vehicle registration, and the formula differs between municipalities and townships. The formula favors municipalities, so the revenues from these two sources can be expected to exceed the current total of that of the two jurisdictions. Also, each jurisdiction assesses an additional **permissive tax** on vehicles registered, \$10 by the city and \$5 by the township; we assume that the \$10 tax would be applied throughout the merged community. We project that increased revenues from these sources in a merged community to be approximately \$1.4 million.
  - The township levies a 2.30 mill **property tax** earmarked for roads. If it is reduced to 2.0 mills and extended to property throughout the merged

community, it would generate an estimated \$2.7 million in revenue, sufficient to cover added SCM&R obligations.

- Increases in the **capital improvements fund** are dependent on the increase in income tax revenues in a merged community. By state law the first ¼% (of the 1.5 percent income tax) or 1/6 of the income tax revenues, must be earmarked for capital improvements. If income tax revenues increased by \$12 million, this would amount to an increase of \$2 million.
- A significant change for both jurisdictions, in case of a merger, would be in financing police and fire pensions. Municipalities in Ohio are required to assess a .30 mill property tax each earmarked for fire and police **pension trust funds**. However, state mandated pension benefits exceed the yield from this tax, and municipalities can cover the deficit either from additional taxes or transfers from the general fund. Sylvania City assesses an .80 mill property tax in addition to the .30 mill tax for its police pension fund, for a total of 1.10 mills, which covers the police pension expenditures. Since fire services are provided by the township, the city does not collect the .30 mill tax for fire pensions. Sylvania Township finances its police and fire pension expenditures from its police and fire levies.

In the event of a merger, we estimate that the yield from applying the .30 mill for police and fire pensions as well as the .80 additional voted millage in the merged community should produce sufficient revenue to cover the pension fund requirements of the combined police and fire departments.

### **Section III**

In Section III, we summarize the financial impacts of a possible merger and examine their likely effects on the various stakeholders in the two communities. The changes with the greatest potential impact are:

- Extension of city services into the former township
- Financing of services for a merged community
- Share of the tax burden borne by current township and city residents and businesses

The major stakeholder groups affected by these changes are city and township residents, businesses and their employees in the city and the township, and elected officials and employees of the city and township.

### **Extending Municipal Services**

Since Sylvania Township already provides most of the expensive urban services to its residents, a merger would bring only a few new services and small changes in the level of some current services. Administrative costs for a merged community, however, would exceed the current total administrative expenditures, largely because the new city would likely assume responsibility for services currently financed by Lucas County and

ODOT. The estimated cost of these additional service responsibilities totals \$5.2 million.

### **Financing existing and new services**

In the event of a merger, we assume that the existing methods of financing City of Sylvania services would replace Township financing instruments. Current Township residents would be affected by the following:

- The 1.5% municipal income tax
- The city's \$111 per year garbage and refuse collection fee
- The \$.30 front foot special assessments each for tree maintenance and ditches and drains
- An additional \$5 vehicle registration tax
- City property taxes extended to the current township
- Elimination of all but one township property tax

For current city residents, the following changes in property tax rates would apply:

- Elimination of the current township property taxes
- An additional property tax earmarked for the road and bridge fund and an additional .30 mill property tax for the fire pension fund.

*A merger would shift financing of city services from a reliance on property taxes to a predominant reliance on the income tax. This shift would transfer costs of city services from property owners, primarily residents, to employed persons, primarily non-residents, and decrease reliance on a static financing source. We estimate that this change would reduce property tax rates to current city residents by 5.60 mills and to current township residents by 13.50 mills. For a residence valued at \$200,000, this would represent an annual savings of \$227 in the current city and \$491 in the current township, including special assessments. Current residents and businesses of the city would save over \$700,000 in property taxes, and current residents and businesses of the township would save over \$8 million in reduced property taxes.*

*While a merger would result in reduced property tax payments for all property owners in both the current city and the township, the addition of an income tax would only affect the current township residents employed in the current township or in another jurisdiction not levying an income tax. Income taxes would not increase for current city residents, current township residents employed in Sylvania City or in another jurisdiction levying an income tax, or retired persons.*

*The persons most affected by extending the city income tax to the current township would be non-residents. Almost 80% of employed persons in the township do not live in either the township or the city. We estimate that of the additional \$12 million anticipated increase in income tax revenue from the current township, only approximately \$5 million would be paid by current township residents. Subtracting this income tax increase from*

*estimated property tax reductions results in a net tax reduction of \$3 million in tax payments for current township residents.*

### **Property Taxes versus Income Taxes**

In Ohio, income taxes as a revenue source have a major advantage over property taxes. Income taxes are more elastic, since revenues generally increase as incomes increase. Ohio property tax revenues, however, do not automatically increase in response to increased property values because of what is known as the reduction factor. Population growth and residential development in Sylvania Township have consistently added new taxable property over the past decades, making it possible to support higher levels of services than is typical for townships in Ohio. However, this rapid growth will likely end in approximately five years as the Township will have developed most of its usable land area by then. Without the addition of new property to tax rolls, property tax revenues are unlikely to keep pace with increases in the cost of township services.

### **Financial Impacts on Businesses**

The two changes in the tax structure resulting from a merger that would have the greatest impact on businesses in the township are:

- Reduction of property taxes by a nominal rate of 13.50 mills and an effective rate of 9.4 mills (after applying the reduction factor).
- Addition of a city income tax of 1.5% on some profits of businesses in the current township.

Without detailed information on the types and sizes of businesses in Sylvania Township, it is not possible to estimate the impacts of a merger and the extension of an income tax on the location choices of these businesses.

### **Effect on Current City and Township Employees**

A proposed merger between the Sylvania City and Township is not likely to require a reduction in the current total city and township workforce and therefore would not result in significant personnel savings. The increased size of the community and the expansion of some services would likely require retaining existing personnel and hiring additional personnel in some areas.

The affected city and township employees include four important groups: administrative personnel, fire department employees, police department employees, and public works employees.

### **Administrative Personnel**

Administrative personnel for both jurisdictions would need to be retained because of their specialized knowledge of each jurisdiction. Some expanded administrative responsibilities will require hiring new personnel, particularly in the income tax division.

### **Fire Department Employees**

Since the Fire District currently covers both jurisdictions and responsibilities would not change, its personnel needs would not be affected by a merger.

### **Police Department Employees**

The number of police personnel in both departments is consistent with national standards for officer/population ratios. The two issues which would likely be most problematic are deciding bargaining unit representation and equalizing the slight difference in salaries and benefits between the two departments.

### **Public Works Employees**

Estimating wage differentials for Road Department workers in the Township and Public Service employees in the City is more difficult because job titles are not comparable.

### **Elected Officials**

In the merger cases we reviewed, current and previous elected officials from both jurisdictions were among the most intense supporters and opponents of a proposed merger. Assuring elected officials that a merger would not end their public service careers helps make motives more transparent, plus provides continuity in leadership during a period of significant change in both communities.

## **Section I - Experiences of Other Ohio Communities Which Have Considered Mergers**

### ***State Associations***

The UAC team contacted by telephone both the Ohio Township Association and the Ohio Municipal League. Neither proved very helpful, since they do not compile systematic information about mergers nor do they provide informational resources to their membership. Mr. Michael Cochran, Executive Director of the Ohio Township Association, stated that the official position of their organization was that merger was a local issue and that they do not get involved. John Mahoney, Deputy Director of the Ohio Municipal League, stated that they viewed each merger as different, then implied that the League was hostile to mergers because they viewed them as attempts to avoid annexation. This impression was reinforced with a subsequent conversation with Mr. Edward Albright, Senior Legislative Assistant of the League, who also stated that there had been very few merger attempts recently and that most had been concentrated in Summit and Montgomery counties.

### ***Academic Literature***

Academic literature about mergers in Ohio is almost non-existent. A policy paper done by Nicole Ard, a student in the Master of Public Administration Program at OSU in 1995 provided the most systematic information, although only for a limited historical period. She reviewed the results of all 57 merger elections between 1983 and 1994. Her calculations indicate that it is much easier for communities to study mergers than to actually merge, at least during these 11 years. There were 37 elections about whether to create merger study commissions, of which 25 (68%) were in favor of creating commissions. Of these, 20 (80%) of the study commissions voted to recommend mergers, but only 4 were approved (20% of the merger elections, 11% of the initial merger proposals). These results suggest the difficulty of converting a merger proposal into a reality.

Ms. Ard surveyed a sample of the communities involved in merger proposals during this period, focusing on the proposed mergers. The first two of these are most relevant to the Sylvania City/Township case. The first of these was **reasons for considering a merger**.

- The most important reason was to prevent annexation of township lands by a larger community. In none of the cases reviewed did the township propose a merger with the community which had been annexing its land. This is relevant to the Sylvania City-Township case, in that at least one, and in some cases both units involved (such as the Maumee/Monclova proposal, reviewed below) were threatened by the actions of a much larger community, such as Dayton, Akron, and Toledo. Since the annexation activities are coming from the City of Sylvania rather than from Toledo, this does not appear to be a relevant argument for

considering merger, unless it takes the form of preventing piecemeal annexation over a long period or if an actual annexation threat by Toledo occurs.

- The second most common reason reported for considering a merger was economic development, in some cases separate from annexation, and in other cases as an extension of annexation concerns. This reason appears a more relevant reason to pursue a merger in this case. It would allow these two separate political entities to combine their resources to more effectively compete with other communities rather than with each other.
- The third important reason was to protect the funding and tax basis for the school system, which does not appear to be relevant for this case, since they already have a combined system. School finances benefit whether growth and development occurs in either the city or the township.
- Other reasons cited, though, might be relevant, including managing growth in the area, funding services with the income tax, and the unity of being one community.

The second aspect of proposed mergers covered in the survey was the **issues that developed during the merger process**, particularly the political, legal, financial, and operational impacts of a merger. These provide an important clue to difficulties that the two communities might face during a merger process and, therefore, should develop strategies to resolve. These are below, in no particular order of importance.

- The form of government that the merged community would take is an obvious issue. The merging communities not only have to adjust to each other, one or possibly both of the communities will have to adjust to the uncertainties of new and unfamiliar political institutions. The disputes include but are not limited to the basis of council representation (district, at-large, or mixed) and appointment/removal of administrative personnel (mayor, council, or manager) to guarantee representation for the smaller jurisdiction.
- The kind and level of services to be provided and the means of financing these are a second issue. The kind and level of services would likely be less controversial in Sylvania than it has been in other communities. The township and city already have high levels of service and one or both already finance the most expensive services—police, fire, and courts. The most expensive remaining service is the road servicing provided by the County Engineer and ODOT on behalf of the State of Ohio. Even if there is only minor disagreement over kinds and levels of services, how to finance these and other services, might well become controversial in choosing between income taxes, property taxes, assessments, or fees. Whichever method is chosen will affect different citizens differently.
- The loss of identity as a rural township is another issue which is not likely to be significant if this merger process continues. In this case, the township is predominantly urban, it shares the same name as the city, a common school district and a joint chamber of commerce, and both have land use controls. The jagged boundaries between them make it difficult for citizens to know precisely where each ends and begins. Such characteristics make it easier to create a

feeling of a common community. In the words of the Sylvania City Finance Director, some citizens are not sure whether they live in the city or the township, so he asks them who picks up their trash. Rural issues such as hunting, trash burning, and zoning will likely arise but not be as intense as in some merger attempts. In successful mergers (such as Northampton/Cuyahoga Falls), existing township provisions were “grandfathered in” when not in violation of the ORC applied to municipal corporations. In some cases where they were, actual enforcement was lax.

- Job security and employee benefits in turn is likely to be an issue which would complicate the merger process between Sylvania City and Township, particularly since the latter has more employees than other townships which have been involved in merger attempts.
- Educating the public so that voters have objective information about both the positive and negative consequences of the proposed merger is important for refuting misinformation distributed through anonymous rumors.

### **Specific Cases**

#### **Maumee City/Monclova Township**

Merger Commission approved, November 1987; merger proposal defeated, November 1988 (population at the time of the proposal, City of Maumee – 15,747; Monclova Township – 4,200).

The only merger attempt in Northwest Ohio occurred in 1986-88 between Maumee City and Monclova Township. As in most other cases reviewed, it occurred to resist annexation attempts by a larger jurisdiction. In this case Toledo purchased and attempted to annex approximately 1187 acres of township land. Had the annexation succeeded, it would have landlocked Maumee, which for some time had also been eyeing a westward expansion into the township. A merger study commission was elected in November 1987 by an overwhelming vote in both communities, which preempted Toledo’s annexation while the merger was being studied. After a year of study and a unanimous positive recommendation from the merger commission, the proposal to merge passed in Maumee City but failed in the township.

A review of the commission minutes and the final report suggests that a number of factors contributed to the rejection of the merger proposal. These are listed in no particular order of importance.

- There was no **preliminary groundwork for the proposed merger**. Instead, it was an ad hoc attempt at almost literally the last minute to prevent Toledo from annexing land it had purchased in the township. There were no common unifying links except antipathy toward Toledo.
- Comments in the minutes by members of the public and by commission members indicate that a **high level of distrust existed** between both entities. There had never been a history of close cooperation between them, and residents of both expressed concern that they were being asked to concede too

much to the other. The initial antipathy of township residents toward Toledo evolved as the commission hearings progressed, first into skepticism about Maumee's motives, then describing the merger as a "Maumee take over," and by the end of the hearings, a number of residents were testifying that they would rather take their chances with Toledo than with Maumee.

- Township employees and volunteer firemen expressed **resentment that top positions would go to current Maumee administrators** rather than to township employees. The township fire chief made a lengthy statement questioning why he was not considered qualified to be chief of the merged community.
- **Failure of the commission to promptly gain control of rumors** that were circulating in both communities until late in the process, when a citizens group circulated a "Fact vs. Fiction" release. Comments in the minutes indicate that this was done too late to significantly reduce misinformation.
- The **issue of political representation** was difficult to resolve. The initial township proposal that both jurisdictions have equal representation on the new council was immediately rejected as a violation of the "one man one vote" principle. Several variations were discussed on two districts coinciding with current jurisdictional boundaries but with the number of at-large councilpersons in each district allocated proportionate to their share of the population. In the end, the commission proposed that all members be elected at-large.
- Maumee attempted to **reassure the township** about the continuation of its rural lifestyle. Its representatives on the commission assured the existing township that their residents would have disproportionate representation on some of the key city boards and commissions, particularly the critical zoning board. Also, they agreed to amend city ordinances so that some activities specific to a rural way of life not be enforced within the boundaries of the current township, such as discharging firearms, although they could not exempt other activities prohibited by state law, such as burning brush and trash. All current township employees and the township clerk were guaranteed initial jobs in the new city, and all current township trustees were guaranteed at least one term on the new city council.
- The commission's unanimous report did not reflect the **polarization of both communities**. Monclova residents were overwhelmingly negative, and Maumee residents were divided.
- **Removal of the annexation threat** was the final factor which doomed the merger. Toledo's annexation attempt was on shaky legal grounds because of the problem of contiguity, which was confirmed shortly afterward in a state supreme court decision in a similar case involving the city of Dayton. Shortly thereafter, Toledo and Maumee negotiated a joint economic development zone involving this land in the township, assuring growth and partly excluding Monclova from benefiting.

### **City of Cuyahoga Falls/Northampton Township**

Merger effective January 1, 1986 (population at the time of merger: City of Cuyahoga Falls -- 47,000; Northampton Township -- 5,000).

The City of Cuyahoga Falls and Northampton Township were the first to merge under the new state legislation allowing municipalities and townships to merge, although they were not the first to consider a merger. According to the Ard study, the merger occurred to prevent Akron from annexing sections of the township with potential for commercial growth. The merged community, also known as Cuyahoga Falls, integrated the township politically by making it one of five wards on the city council, with an additional three members elected at-large. According to Mayor Robart, who has been in office for the past 20 years, the new community has been politically stable and economically sound. The merger commission did not attempt to oversell the financial benefits of the proposed merger, and made very cautious revenue and expenditure estimates. As a result, combined with positive business growth, the government has been very fiscally sound.

### **Riverside Village/Mad River Township**

Merger effective January 1, 1991 (population at time of merger: Village of Riverside – 1,000; Mad River Township – 30,000.)

The merger study commission report overestimated income tax revenues because it did not take into consideration that most residents work in Dayton and other surrounding communities and pay income tax there, and that many residents are retired and pay no income tax. License tax revenues, a source of funding for road maintenance, were also overestimated. A major cost to the merged community was trash collection: pre-merger, residents paid for private tax collection, but a condition of merger was a commitment to provide trash collection at no extra charge, resulting in \$750,000 annual costs. The conditions of merger also included reductions in police and street maintenance levies (because of overestimated income tax revenues), contributing to revenue shortfalls in those areas.

### **Trotwood City/Madison Township**

Merger effective, January 1996 (population at time of merger: Trotwood, approximately 8,000; Madison Township – approximately 20,000)

As in Riverside, pre-merger reports underestimated costs and overestimated revenues resulting from a merger. City officials identified a number of major unanticipated costs:

- Difficulties in establishing street lighting assessment districts (to replace multiple assessment districts in the township) resulting in the city assuming the cost of street lighting; this problem has not yet been resolved.
- The city assumed the cost of police services for the township, which had been provided by Montgomery County.
- Costs of road maintenance services in the former township.
- Continuation of a complicated water rate structure involving three providers (Dayton, Montgomery County, and Jefferson Regional).
- Costs of addressing contaminated well water in parts of the township.

Trotwood continues to struggle financially, despite adoption of a 3.5 mill levy to cover costs of the merger, and economic development continues to be a difficult issue. The only positive consequence of the merger appears to be that the larger community qualifies for larger amounts of intergovernmental grant funding.

### **Clayton Village/Randolph Township**

Merger approved November 1996 (population at time of merger: Village of Clayton - 600, Randolph Township – 12,500).

Officials in Clayton reported mostly positive impacts, noting in particular the revenue stability provided by the income tax as a source of support for capital improvements and services. The city's bond rating has improved, and a new charter adopted after the merger resulting in hiring of a city manager and professional staff (several with Master of Public Administration degrees). Revenue has increased steadily since the merger, although dependence on the property tax has not decreased significantly because most residents pay income tax where they work, receiving a credit from Clayton for these payments. The city has however been able to reduce its effective millage rate from 9 to 8 mills, and has been able to rely on renewal rather than replacement levies. As in Trotwood and Riverside, the most significant cost has been maintenance of state and county roads in the former Randolph Township. A post-merger reorganization of a regional fire district, and issues related to water service in the former township have contributed to some difficulties in relations with surrounding communities.

The Clayton-Randolph Township merger study is the most detailed of these three communities, and suggests that very thorough and careful projections of revenues and expenditures guided the decision. One indication of this is that a contract was negotiated with Montgomery County prior to the merger for \$3 million of improvements to county roads (thus reducing immediate road maintenance expenses for the merged community).

### **Summary**

A review of selected merger attempts, both successful and failed, provides a number of general lessons if a merger attempt between Sylvania City and Township should move forward.

- Statistically, the odds are not in favor of a merger. Most attempts have failed, even when merger study commissions have recommended in favor of a merger.
- Convincing city residents to merge is generally easier than convincing township residents, who may oppose a merger but tend to view a merger as less onerous than the alternative of being annexed piecemeal by a larger municipality.
- Although the most important reason for merger attempts was to prevent annexation of township lands by a larger community, in none of the cases reviewed did the township propose a merger with the community which had been annexing its land. A major motivator for merger attempts is a threat to the township.

- Failed mergers demonstrate that an improvised merger process is risky. Advance preparation and research are critically important in overcoming the hurdles for a successful merger process, which are considerable even under the best of circumstances.
- Similarly, mutual trust and open communication between the merger commission and the residents of both communities can avoid serious misunderstandings.
- There is more than a superficial need to pay particular attention to political representation of both communities on decision making bodies, particularly the council, and to integrate all employees into the merged government.
- Economic development is a significant advantage in mergers. Larger communities have more leverage and are eligible for some federal funding that smaller communities are not, merged communities were generally able to attract new development, and in no cases that we reviewed did businesses flee a community after merger. However, we did not review whether the merger deterred development that might have otherwise occurred in the township.

Specific lessons for the Sylvania City/Township case are these:

- The township and city already have high levels of service and both already finance two of the most expensive services—police and fire protection—which makes it possible to more accurately estimate expenditure needs of a merged community.
- The most expensive remaining service is the road servicing provided by the County Engineer and ODOT. Some communities during the merger process were able to reduce these expenses by negotiating with their county engineer (and theoretically with ODOT) to complete all necessary capital improvements before turning over responsibility for maintenance to the new city.
- One disadvantage, however, to the high service level of services that Sylvania Township provides is that it has a large number of employees whose job security can become a driving issue in case of a merger attempt.
- In contrast to a number of merger attempts, Sylvania City and Township are both urban and have a long history of close cooperation. These characteristics can reduce, although certainly not eliminate, tensions during the process if a merger attempt goes forward.
- It is important that the merger process be open and transparent so that false rumors and distrust do not gain credibility.
- Similarly, proponents of a merger should be cautious about overselling the advantages of a merger, particularly in presenting an optimistic financial scenario. A merger can have significant advantages, but the public should also be informed if there are also disadvantages.

**Sources:**

Review of merger commission reports and other documents:

- Nichole C. Ard, “Municipal Mergers in the State of Ohio,” Columbus: School of Public Policy and Management, The Ohio State University, Winter 1995

- Clayton (merger of village of Clayton and Randolph Township)
- Riverside (merger of village of Riverside and Mad River Township)
- Trotwood (merger of city of Trotwood and Madison Township)
- Cuyahoga Falls (merger of Cuyahoga Falls and Northampton Township)
- Maumee City/Monclova Township (unsuccessful merger)

Interviews conducted:

- Sylvania City officials: Craig Stough, Mayor; Barbara Sears, President of City Council; John Plock, Finance Director; Jeffrey Balmer, Director of Public Service
- Sylvania Township officials: Carol Contrada, Township Trustee; Pamela Hanley, Township Trustee; Dave Simko, Township Clerk; Hugh Thomas, Township Administrator; Gregory Huffman, Public Works Manager

Telephone interviews with public officials in merged communities to examine projected and actual impacts:

- Clayton: interviews with David Rowlands, Clayton City Manager, Ted Gudorf, former Clayton Mayor, Joyce Deitering, Clayton Mayor
- Riverside: interview with Kenneth Curp, Riverside Mayor
- Trotwood: interview with Lois Singleton, Clerk of Council, City of Trotwood
- Cuyahoga Falls: Interview with Mayor Don Robart

Telephone interviews with state association officials:

- Michael Cochran, Executive Director, Ohio Township Association
- John Mahoney, Deputy Director, Ohio Municipal League
- Edward Albright, Senior Legislative Assistant, Ohio Municipal League

## **Section II - Projected Financial Impacts of a Sylvania Township/City of Sylvania Merger**

Determining the financial advantages and disadvantages of a merger to each community involves an examination of the financial consequences of a merger. In order to provide revenue and expenditure estimates, we have had to make assumptions, which need to be stated explicitly, to wit:

- Alternations in the life style and service level of each community would be as minimal as permitted by state law and local conditions, such as public health and safety
- The merged community would assume the financing instruments of the current city and reduce as much as is financially feasible the property taxes currently collected by the township
- The merged community would shoulder the costs of previously county and state-borne services that are typical in Ohio
- Other assumptions concerning specific revenues and expenditures will be made explicit when these are reviewed

We emphasize that these assumptions are not intended to be interpreted as recommendations but rather as a basis or a starting point for discussions and decisions by the actual stakeholders in a merger decision. Using these assumptions, we will first examine probable expenditure changes in a merged community and then review the revenue changes that will be needed to cover these expenditures.

Except as otherwise noted, revenue and expenditure data are from city and township financial documents for 2006 and actual revenues, expenditures, and other financial data for 2005.

### ***Expenditure Analysis***

An important characteristic of finance in the public sector which distinguishes it from the private or corporate/business sector is that money in the public sector is not necessarily fungible, in that it is not interchangeable. Public sector finance utilizes funds, which limit designated receipts to specific disbursement activities. Not all funds used by the city and township correspond. Because the merged community would be a municipality, we have used the city's classification, and have noted the sources of revenue that would replace "township-only" funds.

### **General Fund**

Much of the general fund expenditures provide for the administrative overhead of these communities, and the aggregate totals of much of these will remain relatively unchanged if the communities merge. Some general fund expenditures, however, will increase as current city services are extended into the current township (in the event of a merger), some will change only slightly but their funding source will change, and some

expenditures can be expected to increase immediately. These are described here and aggregated in Table II.1 on page 36.

**Possible expenditure increases.**

City expenditures for **parks and forestry** (\$701,530 for 2006) and **swimming pools and concessions** (\$15,450) would initially remain relatively unchanged, but would increase if facilities were developed in the current township and if additional personnel were hired to provide new services. Aggregate expenditures for **zoning** also would increase if additional personnel are needed for this function.

**Continuing expenditures**

For the city, budgeted **police** expenditures for 2006 are \$3,106,037, funded from general fund revenues. For the township, these expenditures are \$6,762,257, financed by a 9.70 mill property tax levy and miscellaneous revenues of less than \$200,000. Expenditures for police services in a merged community can be expected to remain close to the aggregate of these two totals. Salaries and fringe benefits are comparable, and the main salary saving would come from the abolition of one of the police chief positions. We assume that the township budgeted police pension expenditures of \$607,322 would be covered by special property taxes rather than transferred from the general fund, reducing police expenditures from the general fund by this amount. In addition, state law requires that municipalities contribute 19.5% of police salaries, representing an increase from the Township's current 16.14%, adding approximately \$90,000 to pension costs.

The cost of **fire services** for both communities is known, since they are provided by a joint fire district, budgeted at \$5,922,981 for 2006. The joint fire district is financed by a 7.40 mill property tax and \$767,000 in miscellaneous revenues with a 2006 deficit of \$161,000. Again, we assume that the budgeted pension expenditures of \$877,000 would be covered by special property taxes rather than from the general fund, reducing fire expenditures from the general fund by this amount. The budgeted expenditure needs, however, can be significantly increased in the event of unforeseen events.

**Probable increased general fund expenditures**

The **income tax division** will likely be required to double its personnel in order to process the increased demand if the income tax is extended to current township residents and employers. The current budgeted cost of \$320,000 for salaries and benefits is paid from the Income Tax fund, so this amount will be added to general fund expenditures. (Note: the Income Tax Fund is separate from the General Fund, but for convenience we are combining the totals for these two funds.)

The City of Sylvania provides a three container limit **garbage and refuse pick up** for its citizens, at a cost budgeted at \$564,355 for 2006. In case of a merger, this cost is expected to increase to \$1,315,000. The fees charged are paid into the general fund and do not cover the expenditures, with a deficit estimated to increase from \$219,355 to \$510,000. Calculations for reaching these amounts are presented in Attachment II.1.

Expenditures for **courts and corrections** could involve a significant financial commitment that is difficult to predict. In a merged community, the city would likely assume responsibilities for the costs of prisoners from the current Sylvania Township in the Lucas County Corrections Center (LCCC) and the Corrections Center of Northwest Ohio (CCNO) at Stryker, now covered by Lucas County. These costs are calculated to add \$400,000 to the city's general fund 2006 budgeted costs, in addition to the current Court expenditures of \$1,393,250. Details are provided in Attachment II.2 with Tables II.A.1 and II.A.2 on pages 55 and 56 respectively.

The costs of **engineering services** will increase as the merged community assumes responsibility for those services provided by the Lucas County Engineer to Sylvania Township. The City of Sylvania's current budgeted expenditures are \$276,670; the County Engineer estimates engineering services as well as office costs will increase by \$441,000 for the merged community. In addition, we estimate the office and engineering costs of assuming responsibility for current ODOT operations in the township at approximately \$86,000. Details are included in Attachment II.3.

Expenditures for **street cleaning** are financed from the general fund in the city and from the streets department budget in the township, and will be discussed in the streets section.

### **Street Construction, Maintenance, and Repair (SCM&R)**

Should the city and township merge, the newly formed city would have the following street, road, and related public works responsibilities:

- Current city responsibility for streets (including signals and other related matters), ditches, tree trimming, and bridge maintenance
- Current township responsibility for maintenance of township streets and related matters
- Current county engineer responsibility for maintenance of county roads (including signals and other related matters), ditches, and engineering services (previously discussed) in the township
- Current ODOT responsibility for maintenance of the portions of US 23, Central Avenue, Monroe Street, Reynolds Road and Alexis Road that are currently within the township boundaries

The SCM&R and other public works responsibilities in **Sylvania City** rest in the Department of Public Service. The Department currently has forty-seven full time or part time employees. It is divided into the following divisions: Division of Streets, Division of Parks and Forestry, Division of Engineering, Construction, and Utility Service.

The activities of this department are financed from several funds. The previous section examined services financed by the city's general fund. Activities funded by special assessments and capital expenditures will be reviewed below. The expenditures of the

city for SCM&R, which roughly correspond with the responsibilities of the Roads Department in the Township, are identified in Table II.2.

**Table II.2  
SCM&R Expenditures, City of Sylvania  
By Fund**

Current Expenditures		
	General Fund	
	Street Cleaning	\$209,830
	Street Construction, Maintenance & Repair (SCM&R)	1,218,270
	Tree Maintenance	206,130
	Ditches & Drains	400,550
	Total Current	\$2,034,640
Capital Expenditures		
	Capital Improvements Fund	\$407,000

The public works responsibilities for **Sylvania Township** rest with the Road Department. The department has 15 full time employees: Public Works Manager, 2 road foremen, 11 utility workers and 1 building maintenance person. In addition, the Road Department may employ 10 part-time employees throughout the year. The 2006 budget for the various services provided by the Roads Department is \$3,227,571. This amount includes services that the city finances from separate funds, specifically tree trimming, ditch maintenance, and street cleaning.

The **Lucas County Engineer**, in an update to the report of May 23, 2005, estimates that the following facilities would be transferred to the new merged community if a merger were to occur:

- 36 centerline miles of road, or 92.6 lane miles
- 11 intersection signals, 1 flasher signal, and 7 school zone flashers
- 15 bridges

The Engineer estimates the following costs for the transferred facilities

Road maintenance (to be included in SCM&R)	\$673,000
Office costs (including engineering, included in general fund expenditures)	441,000
Capital improvements (included in capital fund expenditures)	1,718,000
	-----
Total additional annual costs	\$2,832,000

The updated report, received on October 10, 2006, is provided as Attachment II.4.

A merged community would be expected to assume responsibility for the state highway system in the township, currently maintained by the **Ohio Department of Transportation (ODOT)**. These include the portions of US 23, Central Avenue, Monroe Street, Reynolds Road and Alexis Road that are currently within the township boundaries. The estimated additional costs of maintaining these arteries are as follow:

- US 23. Anticipated contract cost in addition to the current \$25,800: \$15,000
- Central Avenue, Monroe Street, Reynolds Road and Alexis Road. We estimate that the additional annual cost to the merged community would be approximately \$550,000 per year, broken down in the following components:
  - Road maintenance                      \$130,000
  - Engineering                                86,000
  - Capital                                        334,000

For details on how we reached these figures, see Attachment II.3.

Summary of SCM&R

Current city	\$1,218,270
Current township	3,227,571
	-----
Total	\$4,445,841
Additional responsibilities	
Lucas County share	\$673,000
ODOT share	130,000
	-----
Total	\$800,000

Explanatory note: For the city, this amount is the total of SCM&R. The figures for the township are not entirely comparable, because street cleaning, tree trimming and ditch maintenance expenses are not distinguished from other township street and road costs, while they are for the city. The anticipated change includes the County Engineer's estimate for road costs and the UAC team's estimate for assuming ODOT responsibilities. The total excludes engineering and capital expenditures, which are included in totals for other funds. See Table II.1 on page 36 and Attachment II.3 for more detailed explanations of these calculations.

An additional public works responsibility treated differently in the current City and Township is water and sewage. The City buys water from Toledo and resells it to its residents, while residents in the Township (except for a small area) purchase water directly from Lucas County rather than through the Township. Similarly, the City contracts with the Lucas County Sanitary Engineer for sewage treatment, which provides treatment services to the Township. Whether this arrangement would continue should a merger occur is a question best left to a merger study commission, since this study assumes a minimum of changes in the event of a merger.

## Special Assessments

A **special assessment** is a charge imposed on real property to help pay for a local improvement that benefits the property. Revenues from special assessments are paid into special funds, whose usage is generally limited to the designated purpose for the assessment. The City of Sylvania currently maintains three special assessment funds: for street lighting, tree maintenance, and ditches and drains. Sylvania Township only has a street lighting fund. More detailed explanations of these calculations can be found in Attachment II.3.

The **street lighting funds** for the city and the township are financed by a front foot assessment of property. The amount of the assessment is determined by the kind of lighting provided, but is required on all city streets by ordinance so all property owners in the city pay a lighting assessment. In the township, only selected streets have lighting and only property on these streets pay the assessment. Since this study assumes minimum changes of existing practices in case of a merger, and these funds are self-supporting, they are not included in our calculations. We assume that these funding arrangements would continue unchanged in a merged community.

The **tree maintenance fund** of the city is financed almost entirely by an assessment of \$.30 per front foot of property. The assessment is budgeted to collect \$196,100 in 2006. We assume that this assessment will continue in the event of a merged community and would be applied to township property owners. If so, extending this assessment to the current township is estimated to generate approximately \$434,000 annually in additional revenue. This amount was calculated by adding the current centerline road miles in the township, the centerline miles of county maintained roads which will become the responsibility of the merged city, and the centerline miles of the ODOT-maintained roads (less US 23 and the interstate). The township's tree maintenance expenditures are not distinguished from other expenditures in the Road Department. However, the consensus of the City Public Service Director and the Township Public Works Manager is that the amount raised by extending the special assessment will be sufficient, if barely, to cover the additional costs for tree maintenance in the merged city.

The **ditches & drains fund** of the city has two sources of financing. First is another \$.30 front foot assessment, budgeted at \$196,100 for 2006. Second is transfers from the Sewer Fund of a similar amount, in 2006 budgeted at \$203,450. The assessment, if continued in a merged community, will generate an amount identical to that for the tree maintenance fund, estimated at an additional \$434,000 annually. However, since wastewater collection for the township is provided by Lucas County, we assume this arrangement will continue and there is not likely to be increased revenue for the sewer fund that will allow increased transfers to the ditches & drains fund to assist in the increased responsibilities. Ditches and drains in the township are currently the responsibility of both the County Engineer and the Township Road Department. Since these units do not distinguish ditches and drain expenditures from other responsibilities, the current costs of these services cannot be calculated. Revenues from this

assessment may not be sufficient to adequately cover this service in a merged community.

### **Capital Improvements**

The Lucas County Engineer estimates that additional capital improvement expenditures for township areas are \$1,718,000. We estimate that additional capital improvement expenditures for township areas currently maintained by ODOT at \$334,000, for a total increase of \$2,052,000. These calculations are detailed in Attachment II.3.

### **Pension Trust Funds**

In case of a merger, the new community would continue to fund fire and police pensions at least at current levels. However, there would be significant changes in financing police and fire pension trust funds. This change is discussed in more detail below and in Attachment II.6.

### **Expenditure Summary**

We estimate that in the case of a merger, total expenditures in all funds will be greater than the current combined expenditures of these funds in the existing city and township: the general fund by \$514,000, SCM&R by \$800,000, special assessments by \$868,000, capital improvements by \$2,052,000, and employer contributions to the police pension fund by \$90,000. Table II.1 on page 36 itemizes these changes.

### **Revenue Analysis**

#### **General Fund**

For the city, most of the general fund is financed by the 1.5% income tax and a 3 mill property tax. The township general fund has more diverse revenue sources, the largest of which is a .5 mill property tax currently levied in both the city and township, as well as various intergovernmental sources. The major revenue change that can be anticipated in the case of a merger would be the increase in income tax revenue as it is applied to employers and residents of the township

Except for the following items, the total general fund revenue sources for a combined city/township are not likely to change significantly. These are summarized in Table II.3 on page 39.

#### **Income Tax**

Assuming the 1.5% income tax of Sylvania City would be applied to a merged community, we estimate that the result would yield an additional \$12 million in revenue, for approximately \$20,000,000 as currently budgeted. Revenue would be greater if the merged community taxed at a higher rate or allowed only partial credit for income taxes paid to other jurisdictions. It would be lower if the rate were to be reduced. For an explanation of the calculations, see Attachment II.5.

## **Property Taxes**

Increased revenue from the income tax will likely permit the elimination of the 7.40 mill property tax which currently funds the fire district for the city and the township. This increased revenue also can likely replace the 9.70 mill property tax which finances the township police department. In addition, both the township and the city levy a property tax paid into their respective general funds. The township tax of .50 mills, which also applies to the city, could be eliminated based on our income tax revenue estimates, and would reduce revenues by \$665,000 if this .50 mill levy is eliminated. It would still be necessary to retain all or part of city's 3.0 mill property tax and extend it to the current township; general fund revenues would increase by an estimated \$2.7 million if the 3 mill tax were applied to township property. These revenue estimates do not consider the impact of the eventual elimination of the tax applied to personal property.

## **Fees**

As indicated above, we assume that the city would continue its three-container limit **garbage and refuse pick up** and extend it into the current township. The fee charged to residents who do not pay city income tax of \$111 a year is paid into the general fund and do not cover the expenditures. These fee revenues are projected to increase from \$345,000 to \$805,000, with a deficit increase of from \$219,355 to \$510,000. Calculations for reaching these amounts are presented in Attachment II.1.

## **Intergovernmental Revenue**

Both jurisdictions currently receive revenue from Lucas County's local government fund and local government assistance fund. These are formula based and the current aggregate is not likely to increase for a merged community in the immediate future. In addition, municipalities which levy an income tax also receive a share of the state local government fund, proportionate to each municipality's share of the total municipal income tax collected by all municipalities. In a merged community, however, this share would not immediately increase, since it is based on the municipality's share three years prior to the current year.

In addition, the Sylvania Municipal Court would retain the amounts now paid to the Sylvania Township Trustees and the Lucas County Law Library. These are based on arrests made by Sylvania Township Police. The Court currently retains the court costs but not the fines. The amount otherwise transferred to the Township would not represent a net revenue increase, but the amount currently transferred to the Law Library would, estimated at \$35,000 currently (see Attachment II.2).

## **SCM&R**

The street construction, maintenance, and repair functions in both communities are financed by state shared revenue of the gasoline tax and vehicle registrations, as well as permissive license taxes that each assesses on vehicles registered in their respective communities. In addition, the township levies a 2.30 mill property tax earmarked for streets, and the city transfers some funding from the general fund to support SCM&R. The following changes can be anticipated in case of a merger.

**Shared Revenues**

Revenues from the **gasoline tax** and **vehicle license fee** are calculated with complex formulas based on vehicle registration, and the formula differs between municipalities and townships. The formula favors municipalities, so the revenues from these two sources can be expected to exceed the current total of that of the two jurisdictions. In addition, each jurisdiction assesses an additional **permissive tax** on vehicles registered, \$10 by the city and \$5 by the township; we assume that the \$10 tax would be applied throughout the merged community. The current revenues and the projected increases are presented below in Table II.4.

**Table II.4  
Current and Projected Increases in Shared Revenues**

Revenue Source	Sylvania City	Sylvania Township	Current Combined Revenue	Projected Merged Revenue	Projected Revenue Increase
<b>Gasoline taxes</b>	566,863	130,000	676,863	1,470,000	773,137
<b>License fees</b>	220,000	49,990	269,990	640,000	370,100
<b>Permissive license tax</b>	240,000	251,300	491,300	743,000	251,700
<b>Totals</b>	1,026,863	431,290	1,458,073	3,006,960	1,395,000

Data sources and explanations of calculations are discussed in Attachment II.3.

**Property Tax**

The township levies a 2.30 mill property tax earmarked for roads, budgeted to produce \$2,080,000 in 2006. If this tax is eliminated in a merged community, necessary revenue to support roads would likely be insufficient to finance needed expenditures. However, if it is reduced to 2.0 mills and extended to property throughout the merged community, it would generate an estimated \$2.7 million in revenue, sufficient to cover added SCM&R obligations.

**Special Assessments**

The special assessment funds are discussed above under expenditures. The calculations are detailed in Attachment II.3.

**Capital Improvements Fund**

Increases in the capital improvements fund are dependent on the increase in income tax revenues in a merged community. If the increase is \$12 million, by state law the first ¼% or 1/6 of the amount must be earmarked for capital improvements. This would amount to an increase of \$2 million.

**Pension Trust Funds**

A significant change for both jurisdictions, in case of a merger, would be in financing police and fire pensions. Municipalities in Ohio are required to assess a .30 mill property tax each earmarked for fire and police pension trust funds. As trust funds, these are not revenues that the municipality can use but must be dedicated to fire and

police pensions. However, state mandated pension benefits exceed the yield from this tax; municipalities can cover the deficit either from additional taxes or transfers from the general fund. Sylvania City assesses an .80 mill property tax in addition to the .30 mill tax for its police pension fund, for a total of 1.10 mills, which covers the police pension expenditures. Since fire services are provided by the Township, the City does not collect the .30 mill tax for fire pensions. Sylvania Township finances its police and fire pension expenditures from its police and fire levies.

In the event of a merger, we estimate that the increase in the income tax revenue would be sufficient to replace revenues from the police and fire operating levies, so that they could be eliminated. The estimated yield from applying the .30 mill for police and fire pensions as well as the .80 additional voted millage in the merged community should produce sufficient revenue to cover the pension fund requirements of the combined police and fire departments, even with the additional \$90,000 in police pension fund costs. Expenditures for township police and fire services that would be included in general fund obligations can be reduced by the amount of pension fund obligations that is transferred to the trust funds.

These calculations are detailed in Attachment II.6.

### **Revenue Summary and Estimated Balances**

In a merged community, revenues for activities to be financed from the general fund are estimated to increase by approximately \$658,000, as the result of the following:

- increase in income tax revenues resulting from application of the 1.5% income tax to the current township
- elimination of 17.60 mill property taxes in the current township
- elimination of 7.90 mill property taxes in the current city
- retention of 3.00 mill property tax in the city and extension to the township
- increase in garbage fees and retention of court payments to Lucas County

Revenues for SCM&R are estimated to increase by \$2,015,000, which would be sufficient to cover estimated increased expenses and eliminate the deficit in the Township Road Department, resulting from the following:

- Increased revenues from shared taxes.
- Decreasing the 2.30 mill township road tax to 2.0 mills and extending it throughout the merged community.

Revenue from special assessments for tree trimming should increase enough to cover additional expenses, but those for ditch maintenance might not.

Revenues for capital improvements will increase proportionate to increased income tax revenues.

Revenues for fire and police funds from the mandated .30 mills property taxes from each will not be sufficient to cover pension benefits, and we assume that some variation of the city’s .80 mill property tax will be applied to the merged community to cover the deficit.

Table II.5 summarizes these estimated changes in revenues and expenditures for these funds.

**Table II.5  
Estimated Fund Balances**

Fund	Estimated Revenue Changes	Estimated Expenditure Changes	Balance
<b>General</b>	658,000	513,600	144,400
<b>SCM&amp;R</b>	2,015,000	800,000	1,215,000
<b>Special Assessments</b>	868,000	868,000	0
<b>Capital Improvements</b>	2,000,000	2,052,000	-52,000
<b>Trust Funds</b>	1,500,000	1,500,000	0

**Conclusions**

In case of a merger, the most significant changes in cost-centers would result from assuming responsibilities for services now provided by Lucas County and by ODOT. These are correctional services and public works, particularly street maintenance and construction but also including tree trimming, ditch maintenance, and engineering services. The other major costs would be in covering the deficit in the Township Road Department extending the city’s subsidized garbage and refuse pick up and doubling the size of the income tax division. Other possible expenditure increases include parks, pools, and zoning.

The two major revenue changes are increased income tax revenue and increased revenue from gasoline taxes, license fees, and the permissive license tax. Based on our estimates, revenues for the general fund and SCM&R should be adequate to cover anticipated expenditures, with a small cushion to cover revenue or expenditure errors. The balances for Special Assessments and Trust Funds are based on the assumption that the property taxes which support these could be adjusted either up or down to cover expenditure needs.

Expenditure needs can be relatively accurately estimated because the services needed in a merged community are known and their costs can be determined from current experiences. However, estimating revenues from the major sources for a merged community cannot be done with the same degree of certainty. The data necessary to provide an accurate estimate of revenues from extending the city income tax to the current Township is not available, and therefore we have used proxies. The amount that the merged community would receive from shared revenues, gasoline taxes and license fees, can change if the state alters its statutory formula for sharing these revenues. The same is true for revenues from the State and Local Government Fund.

In these cases, we have assumed that the sharing formulas will not change for the foreseeable future.

## Sources

Interviews conducted:

Sylvania City officials:

- Craig Stough, Mayor, July 20
- Barbara Sears, President of City Council, July 12
- John Plock, Finance Director, July 6, September 19 (telephone), December 5
- Jeffrey Balmer, Director of Public Service, August 15, October 3;
- James Moan, Director of Law, and Judge Scott Ramey, September 5
- City of Sylvania Treasurer George Eichenauer, concerning purchasing procedures August 8 (telephone); concerning personnel matters, August 18 (telephone)

Sylvania Township officials:

- Carol Contrada, Township Trustee, July 20
- Pamela Hanley, Township Trustee, July 20
- Dave Simko, Township Clerk, July 26, October 19;
- Hugh Thomas, Township Administrator, July 14
- Gregory Huffman, Public Works Manager, Sylvania Township, August 30

Lucas County officials:

- Keith Early, Lucas County Engineer, October 10
- Dan Hiskey, Lucas County/City of Toledo administrator, various positions, various dates (telephone)
- Larry Vesko, Lucas County Health District, October 15 (telephone)
- Thomas Nichter, Chief Deputy, Lucas County Auditor, September 12
- Jan Merrit, Appeals Division, Lucas County Auditor, September 19 (telephone)
- Kevin Helminski and Jim Oneil, Lucas County Sheriff Department (telephone, September 5 and 19)

State of Ohio officials:

- Don Wonnell, Labor Market Analyst, NW Region, Ohio Job and Family Services concerning city and township employment data (telephone);
- Layth Istefan, Highway Management Administrator, ODOT Region 2, September 6 (telephone)

Others

- Pat Nowak, Executive Director, Sylvania Area Chamber of Commerce, to obtain estimates of business membership and employment for City of Sylvania and Sylvania Township (telephone);

Documents reviewed:

- Sylvania city budgets, 2005 & 06.
- Sylvania city financial reports (from web site)
- Sylvania Mayor's Annual Report for 2005 (from web site)
- Township financial documents
- Toledo and Sylvania city codes (from web sites)
- Public Finance Management, "City of Sylvania and Sylvania Township, Ohio: Consolidation of Services Analysis," May 12, 2005,
- Township and municipal vehicle registrations for Ohio and Sylvania city and township from OBMV
- Lucas County Engineer study completed in May 2005.
- Results of refuse survey conducted by Sylvania Township
- Collective Bargaining Agreements:
  - City of Sylvania and Sylvania Municipal Employees Association, 2006-2008
  - City of Sylvania and Sylvania Police Command Officers Association, 2006-2008
  - City of Sylvania and Fraternal Order of Police/Ohio Labor Council, Inc., Lodge No. 129 (Sylvania Police Patrolmen), 2006-2008.
  - City of Sylvania and Sylvania Police Telecommunicators, 2006-2008
  - Sylvania Township Board of Trustees and Ohio Patrolmen's Benevolent Association (Command Officers), 2005-2007.
  - Sylvania Township Board of Trustees and Ohio Patrolmen's Benevolent Association (Patrol Officers), 2005-2007.
  - Sylvania Township Board of Trustees and Ohio Patrolmen's Benevolent Association (Dispatchers, Record Clerks, Property Room Manager, Administrative Secretaries and Secretaries) 2005-2007.
  - Sylvania Township Board of Trustees and Road Department Employees (Teamsters), 2006-2008.

**Table II.1 - Anticipated Expenditure Changes Based on 2006 Budgeted Expenditures**  
 (Based on current budgets)

		CURRENT CITY OF SYLVANIA	CURRENT SYLVANIA TOWNSHIP	MERGED COMMUNITY	ANTICIPATED CHANGE	
FUND	ITEM					COMMENTS
GENERAL						
	Police Services	3,106,037	6,762,257	9,260,972	-607,322	Note: the reduced expenditures of police services for the merged community is equal to the current retirement expenses of the township, which are assumed to be financed by a property tax levy rather than from the general fund. See explanations in Attachment II.6
	Fire Services	0	5,922,981	5,046,261	-876,720	Note: the reduced expenditures of fire services for the merged community is equal to the current retirement expenses, which are assumed to be financed by property tax levy rather than from the general fund. See explanations in Attachment II.6
	Parks & Playgrounds	701,530	0	701,530	0	No initial expenditure increase, but can be expected to increase as facilities are developed in the current township
	Swimming pools	15,450	0	15,450	0	
	Zoning	130,500	191,222	321,722	0	Might need increased personnel
	Garbage & Refuse Collection	564,355	0	1,315,000	750,645	See comments in Attachment II.1
	Income Tax Division				320,000	5 additional personnel needed
	Courts & Corrections	1,393,250	0	1,800,000	400,000	See comments in Attachment II.2
	Engineering	276,670	0	803,670	527,000	Estimate of office costs from Lucas County Engineer and calculations for ODOT. See Attachment II.3

<b>PUBLIC WORKS RELATED</b>						
	<b>Streets &amp; Roads</b>	1,218,270	3,227,571	5,245,841	800,000	For the city, this amount is the total of SCR&M. The figures for the township are not entirely comparable, because street cleaning, tree trimming and ditch maintenance expenses are not distinguished from other township street and road costs, while they are for the city. The anticipated change includes the County Engineer's estimate for road costs and the team's estimate for assuming ODOT responsibilities. Total excludes engineering and capital expenditures, which are included in totals for other funds. See Attachment II.3.
<b>SPECIAL ASSESSMENTS</b>						
	<b>TREE MAINTENANCE FUND</b>	206,130	(see notes)	640,130	434,000	These expenditure estimates are based on the revenue estimates for these funds. The amount for tree maintenance may overstate the additional expenditure needs, since at least part of the current costs in the township are already covered in the township roads department budget, and part of the cost of these expenses for the county road system is already stated in the additional costs for assuming these responsibilities, although this is not certain. Expenditure needs for ditches & drains is likely underestimated. See Attachment II.3.
	<b>DITCHES &amp; DRAINS FUND</b>	400,550		834,550	434,000	
<b>CAPITAL IMPROVEMENT FUND</b>						
	<b>Street CM&amp;R</b>	407,000	(see notes)	2,459,000	2,052,000	Note: Capital improvements for township are included in other items. The additional expenditures are estimates by the County Engineer for township areas they maintain and by the team for current ODOT maintained roads in the township.

Impacts of Sylvania Township - City of Sylvania Merger

TRUST FUNDS						
	Police Retirement (.30 and .80 mills)	420,000	607,322	1,117,322	90,000	For the township, this item is currently included in the police property tax. We assume that in a merged community, the employer's contribution would be 19.5% and would be total would be totally funded from the two property taxes.
	Fire Retirement (.30 mills)	0	876,720	876,720	0	For the fire district administered by the township, this item is currently included in the fire district property tax. We assume that in a merged community, the combined total would be totally funded from two property taxes.

**Table II.3 - Anticipated Revenue Changes Based on 2006 Budgeted Revenues**  
(Based on current budgets)

	CURRENT CITY OF SYLVANIA	CURRENT SYLVANIA TOWNSHIP	MERGED COMMUNITY	ANTICIPATED CHANGE		
FUND	ITEM				COMMENTS	
<b>GENERAL</b>						
	1.5% Income Tax	7,602,000	0	18,000,000	10,000,000	Assumes a \$12 million increase; by state law, first 1/4 percent earmarked for capital improvements. Includes amounts earmarked for income tax fund in the current city. Detailed calculations in Attachment II.5
	Courts & Corrections				35,000	Retention of payments to the Lucas County Law Library. See Attachment II.2
	Garbage & Refuse Collection Fees	345,000	0	805,000	460,000	See comments in Attachment II.1
	.50 mill property tax, township & city, into township general fund	0	665,000	0	-665,000	Assuming this property tax can be eliminated
	9.70 mill property tax, Township Police district fund	0	6,890,000	0	-6,890,000	
	Miscellaneous Township Police Revenues		172,000	172,000	0	
	7.40 mill property tax, Fire district fund, city and township	0	4,995,000	0	-4,995,000	
	Miscellaneous Fire District Revenues		767,000	767,000	0	
	3.0 mill property tax, Current city	1,185,000	0	3,898,000	2,713,000	Note: Estimate based on retaining the 3.0 mills in the merged community
	LOCAL GOVERNMENT FUND--STATE TAX	109,000		109,000	0	This amount will increase 3 years after a merger occurs according to the current statutory formula.

Impacts of Sylvania Township - City of Sylvania Merger

	LOCAL GOVERNMENT FUND	625,000	332,802	957,802	0	
	LOCAL GOVERNMENT ASSISTANCE FUND	107,700	49,651	157,351	0	
<b>SCM&amp;R</b>						
	Gasoline taxes	566,863	130,000	1,469,963	773,100	See Attachment II.3 for explanation
	License fees	220,000	49,900	640,000	370,100	
	Permissive license tax	240,000	251,300	743,000	251,700	
	2.30 mill property tax, Township Road & bridge fund	0	2,080,000	2,700,000	620,000	Assuming 2.0 mills of the tax is retained and applied to the merged community
<b>SPECIAL ASSESSMENTS</b>						
	Tree maintenance fund, \$.30 front foot	196,100	See notes	630,100	434,000	Note: Township revenues for these services are not accounted separately; explanations in Attachment II.3
	Ditches & drains fund, \$.30 front foot	196,100		630,100	434,000	
<b>CAPITAL IMPROVEMENT FUND</b>						
	First .25% of increased income tax revenue				2,000,000	Assumes that the increase will be earmarked for streets.
<b>TRUST FUNDS</b>						
	.80 mill property tax, voted levy for city police pension		0			The .30 mill property tax for police pensions is required by state law; assumes the .80 voted city mil will be extended throughout the merged community
	.30 mill property tax, city police pension	420,000	0	1,677,000	1,257,000	
	.30 mill property tax, fire pension			387,000	387,000	Will be required if the communities merge

## **Section III – Projected Financial Impact of a Merger on Individuals and Businesses**

The financial impacts of a City of Sylvania-Sylvania Township merger would have different effects on residents, businesses, and workers in the city and the township. The changes with the greatest potential impact are:

- Extension of city services into the former township
- Financing of services for a merged community
- Share of the tax burden borne by current township and city residents and businesses

The major stakeholder groups affected by these changes are city and township residents, businesses and their employees in the city and the township, and elected officials and employees of the city and township. This section summarizes financial impacts of a merger and examines their likely effects on community stakeholders.

### ***Financing Existing and New Services***

Since Sylvania Township already provides most of the expensive urban services to its residents, a merger would bring only a few new services and small changes in the level of some current services. Administrative costs for a merged community, however, would exceed the current total administrative expenditures, largely because the new city would likely assume responsibility for services currently financed by Lucas County and ODOT. These are discussed in more detail in the previous section, but include the following:

- Additional personnel for the city income tax division
- Extension of municipal trash collection services to the current township
- Increased expenditures for courts and corrections as the new city assumes responsibility for the costs of prisoners from Sylvania Township, now covered by Lucas County.
- Increased capital, operating, and office expenditures for construction, repair, and maintenance of roads in the township current handled by ODOT and Lucas County
- Increased tree maintenance and ditch and drain maintenance expenditures

The estimated cost of these additional service responsibilities (examined in detail in the preceding sections) totals \$5.2 million.

### ***Financial Impacts on Residents***

In the event of a merger, we assume that the existing methods of financing City of Sylvania services would replace Township financing instruments. If so, current Township residents would be affected by the following:

- The 1.5% municipal income tax applied to residents and employed persons in the Township.
- The city's \$111 per year garbage and refuse collection fee (for residents not paying a city income tax)
- The \$.30 front foot special assessments each for tree maintenance and ditches and drains.
- An additional \$5 vehicle registration tax
- City property taxes extended to the current township, including the 3.0 mill voted levy, the .30 mill levy for the police pension fund, a new .30 mill levy for the fire pension fund, and an additional levy earmarked to supplement the police and fire pension funds. The two .30 mill levies are required by ORC Sections 742.33 and 742.34. However, the amounts generated by these two levies would not generate sufficient revenues to finance the new city's obligations, and therefore all or part of the additional .80 mill levy would be needed.
- The current .50 mill township property tax, the 9.70 mill property tax for police services and the 7.40 mill for fire services could be eliminated, and the 2.30 mill property tax earmarked for the road and bridge fund could be reduced to 2.0 mills

Similarly, for current city residents, the following changes in property tax rates would apply:

- The current .50 mill township property tax and the 7.40 mill property tax for fire services
- An additional 2.0 mill property tax earmarked for the road and bridge fund as well as an additional .30 mill property tax for the fire pension fund.

### **Shift from Property Tax to Income Tax**

A merger would shift financing of services from a reliance on property taxes to a predominant reliance on an income tax. This shift would have two important consequences. First, costs would be transferred from property owners, primarily residents, to employed persons, primarily non-residents. It would result in reduced property taxes for all property owners in both the current city and the township, as exemplified in Table III.1 on page 50 and in Table III.2 on page 51. Second, the shift would also decrease reliance on a static financing source.

While a merger would result in reduced property tax payments for all property owners in both the current city and the township, the addition of an income tax would not affect all current township residents, as summarized below.

Income taxes would not increase for the following:

- Current city residents
- Current township residents employed in Sylvania City or in another jurisdiction levying an income tax.
- Retired persons

Income taxes would increase for the following:

- Current township residents employed in the current township
- Current township residents employed in another jurisdiction without an income tax (such as Springfield or Monclova Townships) or with a tax of less than 1.5%
- Current non-residents employed in the township who do not live in a jurisdiction levying an income tax.

The persons most affected by extending the city income tax to the current township would be non-residents. According to data from TMACOG, summarized in Attachment II.5, only 12.2% of persons employed in the township also reside in the township and would therefore pay the tax. An additional 7.4% live in Sylvania City and therefore are already paying the income tax. Almost 80% of employed persons in the township do not live in either the township or the city. We do not have data on the number of township residents who already pay income taxes elsewhere and who would not be affected, or who work in another jurisdiction which does not collect an income tax and therefore would be affected. However, the Finance Department in Sylvania City estimates that only 30% of city residents pay income taxes to the city, and approximately 55% of the taxes collected are from non-residents. If this ratio also applies to the township, of the additional \$12 million anticipated increase in income tax revenue from the township, only approximately \$5 million would be paid by current township residents. Subtracting this income tax increase from estimated property tax reductions results in a net tax reduction of \$3 million in tax payments for current township residents.

#### **Elasticity of Property Tax versus Income Tax**

In Ohio, income taxes as a revenue source have a major advantage over property taxes. Income taxes are more *elastic*, since revenues generally increase as incomes increase. They are therefore more able to cover normal inflationary increases in the cost of delivering government services. Ohio property tax revenues, however, do not automatically increase in response to increased property values. The reason is the application of what is known as the “property tax reduction factor,” defined by the Ohio School Boards Association as follows:

Sometimes referred to as the “HB 920” effect. An adjustment by which the taxes charged by voted mills on Class I and Class II real property are reduced to yield the same amount as those same mills yielded in the preceding year, exclusive of new construction. The reduction factor does not apply to inside mills or to voted mills charged against general and public utility personal property (<http://www.osba-ohio.org/terms.htm>).

As a consequence of the reduction factor, the property tax rate decreases proportionate to the increase in property values, so that taxes collected on each property remains static. Therefore, for a government service financed by property taxes, revenues will only increase under two conditions. These are as follow:

- New property is added to the tax rolls, expanding the tax base
- Tax millage is increased, changing the effective tax rate

Population growth and residential development in Sylvania Township have consistently added new taxable property over the past decades, making it possible to support higher levels of services than is typical for townships in Ohio. Even so, millage levels have been steadily increased over the years to provide sufficient revenues for these services. As an illustration, Table III.3 recounts the increases in millage that have been necessary to fund fire services for the township and the city.

**Table III.3  
Voted Fire Millage**

Year Approved	Voted Millage
1982	1.0
1983	1.0
1984	0.9
1985	1.9
1992	1.1
2001	1.5
Total	7.4

Source: Sylvania Area Fire/EMS Advisory Board, "Interim Report to Sylvania Township Trustees and Sylvania City Council," February 17, 2006

Data from the Lucas County Engineer identify Sylvania Township as the fastest growing area in the County in 2005, in terms of subdivision developments, as shown in Table III.4

**Table III.4  
Sylvania Township Share of Subdivision Developments in Lucas County, 2005**

Item	Total for County	Total for Sylvania Township	Sylvania Township % of County Total
Number of Plats	30	4	46.67%
Number of Lots	724	298	41.16%
Acres	337	146	43.32%
New Street Miles	6.3	2.58	40.95%

However, the Lucas County Engineer estimates that this rapid growth will end in approximately five years as the Township will have developed most of its usable land area by then. Without the addition of new property to tax rolls, property tax revenues are unlikely to keep pace with increases in the cost of township services.

### ***Financial Impacts on Businesses***

The two changes in the tax structure resulting from a merger that would have the greatest impact on businesses in the township are:

- Reduction of property taxes by a nominal rate of 13.50 mills and an effective rate of 9.4 mills (after applying the reduction factor).
- Addition of a city income tax of 1.5% on some profits for corporations; resident unincorporated businesses or resident partner or owner of a resident unincorporated business entity, profession or other activities; nonresident persons or businesses; nonresident unincorporated businesses, professions or other activities; or nonresident unincorporated business entity or pass-through entity (City of Sylvania Income Tax Code, Chapter 171.03).

There is a large body of literature on factors involved in business investment decisions. These indicate that these decisions on location and investments are the result of a complex decision matrix involving a number of factors, including:

- Level and type of taxes
- Transportation access
- Distance from market
- Raw materials
- Energy availability and cost
- Labor costs
- Community amenities
- Level and costs of government services
- Relocation costs

In addition, there is consensus that different types of firms weigh these factors differently, such as whether they are capital or labor intensive, manufacturing or service providing, large or small, etc.

The authors could find no business location research that focused on the effect of a municipality shifting from reliance on property taxes to income taxes. The closest approximation are studies that examine differences in investment or employment across communities within a metropolitan area. Tax differences are expected to be more important influences on these intraregional decisions, because most labor market and other cost factors do not vary within a region. A review of intraregional studies by Mark et al. (2000) found that property tax differentials had a consistently negative effect on economic activity: communities with lower property taxes experienced more economic growth (2000: 107). These studies, however, did not examine the effects of local differences in sales or income taxes. Bartik (1991) reviewed the conclusions of 14 studies of intra-metropolitan business location decisions and found that tax effects were much greater within metropolitan areas than between metropolitan areas or states (p. 39); the negative impact of higher property taxes was found to be greater in manufacturing and capital intensive industries.(p. 42) These studies, however,

examined only variations in property tax rates among municipalities, so they are of limited value in addressing the issue of estimating the effects that a municipal income tax replacing property taxes might have on business location decisions.

The Mark et al. study examined influences on business and residential location decisions in Washington, DC and eight surrounding counties (Charles, Montgomery, and Prince George's Counties in Maryland, and Alexandria City, Arlington, Fairfax, Loudon, and Prince William in Virginia) through analysis of population and employment growth rates from 1969 to 1994. Because the District of Columbia cannot tax the income of nonresident workers, residential decisions have a greater influence on its revenues than in the case of Ohio municipalities. Their analysis of population growth rates looked at the effects of personal income, sales and residential property tax rates; corporate income, sales, commercial property, personal property, and unemployment insurance tax rates were included in analysis of employment growth rates. (2000: 112) Measures of quality of life (e.g., income level, crime rates) and spending for public services were also included in both analyses. They found no statistically significant relationships between property or income tax rates and population growth. (2000: 114, 116, 117) Of the business taxes measured, only the personal property tax and the sales tax were found to have negative effects on annual employment growth rates; higher levels of public services and higher per capita income were associated with greater employment growth (120). Neither residential nor business location decisions appeared to have been affected by either property or income tax rates.

It should be noted that the focus of this research was on longitudinal changes over a period of more than 20 years in multiple jurisdictions, in contrast to identifying short term effects of a tax change in one community. The Washington, DC metropolitan area includes two states, eight counties, and multiple local jurisdictions. These differences suggest that caution is advisable in applying these findings to other states or regions. Furthermore, the importance of labor, transportation, taxes, and other business costs varies across economic sectors, and among firms of different sizes. Without detailed information on the types and sizes of businesses in Sylvania Township, it is not possible to estimate the impacts of a merger and the extension of an income tax on the location choices of these businesses. We would also note that having a municipal income tax has not been, in itself, an apparent obstacle to business growth in local suburban communities, such as Arrowhead Park in Maumee.

### ***Effect on Current City and Township Employees***

In the merger attempts we reviewed, both successful and unsuccessful, job security of both township and municipal employees was a major issue and in some cases a significant obstacle. In all cases, employees of both jurisdictions were guaranteed positions in the newly merged community at no reduction in salary and benefits, although not all mergers equalized these.

A proposed merger between the Sylvania City and Township is not likely to require a reduction in the current total city and township workforce and therefore would not result in significant personnel savings. The increased size of the community and the

expansion of some services would likely require retaining existing personnel and hiring additional personnel in some areas.

We assume that existing contracts would be maintained through their expiration dates, should a merger occur before that time. Collective Bargaining Agreements (CBAs) for Sylvania Township are for 2005-2007; City of Sylvania CBAs are for 2006-2008. In the event of a merger, decisions would need to be made on union representation, as well as negotiation of new contracts with the new bargaining units.

The affected city and township employees include four important groups: administrative personnel, fire department employees, police department employees, and public works employees.

#### **Administrative Personnel**

Administrative personnel for both jurisdictions would need to be retained because of their specialized knowledge of each jurisdiction. As jobs are gradually consolidated, it would likely be necessary to change responsibilities and retrain existing personnel. Some expanded administrative responsibilities will require hiring new personnel, particularly in the income tax division.

#### **Fire Department Employees**

Since the Fire District currently covers both jurisdictions and responsibilities would not change, its personnel needs would not be affected by a merger.

#### **Police Department Employees**

The number of police personnel in both departments is consistent with national standards for officer/population ratios. The two issues which would likely be most problematic are deciding bargaining unit representation and equalizing the slight difference in salaries and benefits between the two departments.

Police patrol and command officers comprise the largest number of employees for both units. In the City of Sylvania, police sergeants are represented by the Sylvania Police Command Officers Association, and patrol officers are represented by the Fraternal Order of Police, Ohio Labor Council, Lodge No. 129. Sylvania Township police sergeants are represented by Ohio Patrolmens Benevolent Association (Command Officers) and patrol officers are represented by the Ohio Patrolmens Benevolent Association. Although the contracts differ in numbers of pay grades, in general both sergeants and patrol officers' wages are higher in the City of Sylvania. In calculating annual salary differences, we assumed a year to equal 2080 hours (this multiplier was used in converting hourly to annual salaries in the Sylvania Township OPBA contract). Comparison of annual salaries in Table III.5 on page 51 indicates a differential of approximately \$2,000 for patrol officers, and a differential of \$3-4,000 for police dispatchers, based on 2006 and 2007 wage scales.

Applying the City of Sylvania pay scale to Sylvania township patrol and command officers would cost approximately \$60,000 (assuming 30 uniformed officers). Applying

the City of Sylvania pay scale to township dispatchers would cost between \$54,000 and \$72,000 (18 dispatchers).

### **Public Works Employees**

Estimating wage differentials for Road Department workers in the Township and Public Service employees in the City is more difficult because job titles are not comparable. Sylvania City uses the following job classifications: Laborer, Public Works Serviceman, Construction Inspector, Water Maintenance Worker, Sewer Maintenance Worker, Street Maintenance Worker, Vehicle Maintenance Worker, and Park and Forestry Maintenance Worker. The average annual salaries of all categories of maintenance workers and construction inspectors in 2006 was \$39, 598; Laborer, \$31,809; Public Works Serviceman, \$37, 779. Sylvania Township has four position classifications: Full-Time Maintenance, part-time Maintenance, Utility Worker, and Mechanic. The average annual salary of full-time maintenance workers in 2006 ranged from \$24, 190 to \$30,243; for utility workers, \$32,302 to 40,372; for mechanics, from \$35,235 to 44,054. Further complicating adjustments between these employees is their representation by different unions: Teamsters in Sylvania Township, AFSCME in the City of Sylvania.

### **Elected Officials**

In the merger cases we reviewed, current and previous elected officials from both jurisdictions were among the most intense supporters and opponents of a proposed merger. Assuring elected officials that a merger would not end their public service careers helps make motives more transparent, plus provides continuity in leadership during a period of significant change in both communities. Should a merger between Sylvania City and Township proceed, 12 elected officials would be affected:

- Sylvania City Mayor
- Seven City Council members
- Three Sylvania Township Trustees
- The Sylvania Township Clerk

There is probably no formula for satisfying all elected officials. One possible solution would be a merged community with a Mayor and a 10-person council, half elected by districts and half at-large. Such an arrangement would allow the incumbents to remain during the transition period until the next election, except for the Township Clerk, who could be guaranteed a full- or part-time administrative position.

### **Conclusions**

In the event of a merger between Sylvania City and Township, there would be additional costs for a merged community, largely because the new city would probably assume responsibility for services currently financed by Lucas County and ODOT. We estimate the annual increase to be approximately \$5.2 million in both operating and capital expenditures. The most significant change in financing these services would be the application of city financial instruments to the current Township. Revenues from these financial sources should be sufficient to cover these increased expenditures while permitting elimination of most of the Township property tax millages. The shift from

property taxes to income taxes as the main revenue source would also shift much of the cost of financing city services to the non-residents who are employed in the current Township, although the effect on business investments is uncertain. A proposed merger can accommodate employees and elected officials of both jurisdictions.

**Sources:**

Data and analysis from Part II.

City of Sylvania Income Tax Code, <http://www.cityofsylvania.com/tax/ordinance.htm>.

Ohio School Boards Association website, <http://www.osba-ohio.org/terms.htm>

Bartik, Timothy J., *Who Benefits from State and Local Economic Development Policies?* Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1991.

Mark, Stephen T., Therese J. McGuire, and Leslie E. Papke, "The Influence of Taxes on Employment and Population Growth: Evidence from the Washington, DC Metropolitan Area," *National Tax Journal* 63:1 (March 2000), pp. 105-124.

Collective Bargaining Agreements:

- City of Sylvania and Sylvania Municipal Employees Association, 2006-2008
- City of Sylvania and Sylvania Police Command Officers Association, 2006-2008
- City of Sylvania and Fraternal Order of Police/Ohio Labor Council, Inc., Lodge No. 129 (Sylvania Police Patrolmen), 2006-2008.
- City of Sylvania and Sylvania Police Telecommunicators, 2006-2008
- Sylvania Township Board of Trustees and Ohio Patrolmen's Benevolent Association (Command Officers), 2005-2007.
- Sylvania Township Board of Trustees and Ohio Patrolmen's Benevolent Association (Patrol Officers), 2005-2007.
- Sylvania Township Board of Trustees and Ohio Patrolmen's Benevolent Association (Dispatchers, Record Clerks, Property Room Manager, Administrative Secretaries and Secretaries) 2005-2007.
- Sylvania Township Board of Trustees and Road Department Employees (Teamsters), 2006-2008.

**Shifting Burden from Property Owners to Employed Persons**

**Table III.1  
Estimated Changes in Property Tax Rates, in Mills  
(excluding county-wide and school taxes)**

	Current City			Current Township		
	Current Taxes	Proposed taxes	Proposed change	Current Taxes	Proposed taxes	Proposed change
General City	3.00	3.00	0.00	0.00	3.00	3.00
General Township	0.50	0.00	-0.50	0.50	0.00	-0.50
Township Roads	0.00	2.00	2.00	2.30	2.00	-0.30
Fire Levy District Fund	7.40	0.00	-7.40	7.40	0.00	-7.40
Township Police	0.00	0.00	0.00	9.70	0.00	-9.70
Senior Center Levy	0.32	0.32	0.00	0.32	0.32	0.00
Park Levy	0.70	0.70	0.00	0.70	0.70	0.00
Recreation District Levy	1.15	1.15	0.00	1.15	1.15	0.00
Police Pension	0.30	0.30	0.00	0.00	0.30	0.30
Fire Pension	0.00	0.30	0.30	0.00	0.30	0.30
City voted levy	1.00	1.00	0.00	0.00	0.00	0.00
City police pension*	0.80	0.80	0.00	0.00	0.80	0.80
<b>TOTALS</b>	<b>15.17</b>	<b>9.57</b>	<b>-5.60</b>	<b>22.07</b>	<b>8.57</b>	<b>-13.50</b>
*Assumed to continue to fund police and fire pension fund expenditures not covered by the .30 mill levies						
Reduction factor, residential & agricultural**	0.421958			0.416673		
Reduction factor, other**	0.304360			0.302411		
Effective rate, after reduction factor**	8.768897	5.531862	-3.237035	12.874027	4.999112	-7.874915
**Applies only to voted levies, but simplified here for ease of calculation						
Example of a home with an appraised value of \$200,000 and an assessed value of \$70,000 (35% of appraised value)	614	387	-227	901	350	-551
Special assessment for tree and ditch maintenance, \$.30 per front foot, for a 100' lot (total of \$.60).	60	60	0	0	60	60
<b>TOTAL</b>	<b>674</b>	<b>447</b>	<b>-227</b>	<b>901</b>	<b>410</b>	<b>-491</b>

Impacts of Sylvania Township - City of Sylvania Merger

SOLID WASTE REMOVAL						
For residents paying city income taxes	0	0	0	240*	0	-240
For residents not paying city income taxes	111	111	0	240*	111	-129

\*private trash collection fee

**Table III.2  
Estimated Changes in Property Tax Collections  
(only township and city taxes)**

	Current City			Current Township		
	Current Taxes Collected	Proposed Amount Collected	Proposed change	Current Taxes Collected	Proposed Amount Collected	Proposed change
General City	1,185,000	1,185,000	0	0	2,713,000	2,713,000
General Township (proportionate by jurisdiction)	159,600	0	-159,600	505,400	0	-505,400
Township Roads	0	620,000	620,000	2,080,000	2,080,000	0
Fire Levy District Fund (proportionate by jurisdiction)	1,198,800	0	1,198,800	3,796,200	0	-3,796,200
Township Police	0	0	0	6,890,000	0	-6,890,000
Police Pension (Total Cost)	420,000	420,000	0	607,000	698,000	91,000
Fire Pension (proportionate by jurisdiction)	210,500	210,500	0	666,500	666,500	0
City voted levy	393,000	393,000	0	0	0	0
<b>TOTALS</b>	<b>3,566,900</b>	<b>2,828,500</b>	<b>-738,400</b>	<b>14,545,100</b>	<b>6,157,500</b>	<b>-8,387,600</b>

**Table III.5  
Annual Salaries, Police Personnel, City of Sylvania and Sylvania Township**

City of Sylvania				Sylvania Township			
2006-2008 Collective Bargaining Agreement Fraternal Order of Police, Ohio Labor Council, Lodge No. 129				2005-2007 Collective Bargaining Agreement Ohio Patrolmens Benevolent Association			
		Hourly	Annual			Hourly	Annual
Wages 2006	Start	\$21.4139	\$44,541	Step 1		\$20.26	\$42,140
	Grade 1	\$22.4848	\$46,768	Step 2		\$21.42	\$44,559
	Grade 2	\$23.6092	\$49,107	Step 3		\$22.65	\$47,117
	Grade 3	\$24.7895	\$51,562	Step 4		\$23.95	\$49,821
	Grade 4	\$25.5331	\$53,733	Step 5		\$25.32	\$52,675

**Impacts of Sylvania Township - City of Sylvania Merger**

Wages 2007	Start	\$22.1634	\$46,100		Step 1	\$20.87	\$43,404
	Grade 1	\$23.2718	\$48,405		Step 2	\$22.07	\$45,896
	Grade 2	\$24.4355	\$50,826		Step 3	\$23.33	\$48,530
	Grade 3	\$25.6571	\$53,367		Step 4	\$24.67	\$51,316
	Grade 4	\$26.4268	\$54,968		Step 5	\$26.08	\$54,255
2006-2008 Collective Bargaining Agreement					2005-2007 Collective Bargaining Agreement		
Sylvania Police Command Officers Association					Ohio Patrolmens Benevolent Association (Command Officers)		
Sergeants					Sergeants		
		Hourly	Annual			Hourly	Annual
Wages 2006	Entry	\$28.0592	\$58,363		Step 1	\$26.83	\$55,796
	Step 1	\$28.5199	\$59,321		Step 2	\$28.24	\$58,733
	Step 2	\$28.9807	\$60,280				
	Step 3	\$29.4416	\$61,239				
Wages 2007	Entry	\$28.9010	\$60,114		Step 1	\$27.88	\$57,985
	Step 1	\$29.3755	\$61,101		Step 2	\$29.34	\$61,037
	Step 2	\$29.8501	\$62,088				
	Step 3	\$30.3249	\$63,076				

<b>City of Sylvania</b>					<b>Sylvania Township</b>		
2006-2008 Collective Bargaining Agreement					2005-2007 Collective Bargaining Agreement		
Sylvania Police Telecommunicators					Ohio Police Benevolent Association Civilians		
Telecommunicator					Dispatcher		
		Hourly	Annual			Hourly	Annual
Wages 2006	Start	\$18.5822	\$38,651		Step 1	\$16.74	\$34,819
	Step 1	\$19.4963	\$40,552		Step 2	\$17.70	\$36,816
	Step 2	\$20.4562	\$42,549		Step 3	\$18.71	\$38,917
	Step 3	\$21.4638	\$44,645		Step 4	\$19.78	\$41,142
	Step 4	\$22.0987	\$45,965		Step 5	\$20.92	\$43,514
Wages 2007	Start	\$19.2326	\$40,004		Step 1	\$17.24	\$35,859
	Step 1	\$20.1787	\$41,972		Step 2	\$18.23	\$37,918
	Step 2	\$21.1722	\$44,038		Step 3	\$19.27	\$40,082
	Step 3	\$22.2150	\$46,207		Step 4	\$20.38	\$42,390
	Step 4	\$22.8724	\$47,575		Step 5	\$21.55	\$44,824

## Attachment II.1 - Revenues and Expenditures for Garbage and Refuse Pick Up - Sylvania City

The city of Sylvania provides a three container limit trash pick up for its citizens, for a fee of \$111 per year. Residents who pay at least this amount in Sylvania city income tax, or whose total household income is less than \$24,101 are exempt from this fee. However, the fees received for this service does not currently cover the cost to the city for providing this service. Below are the 2006 budgeted amounts:

Revenue from solid waste fees	\$345,000
Expenditures for garbage and refuse collection	564,355
	-----
Deficit	\$219,355

In a merged community, expenditures are expected to increase faster than revenues as this service is extended to a larger population. If we assume that the proportion of current township residents who would pay a city income tax is the same as the proportion in the current city, we can project this deficit in a merged community. According to figures in the 2000 census, the township (including the city) contains 16,644 households. Of these, 7,136 are in the city and 9,508 in the township. However, these numbers include households in apartments and group quarters, which are not serviced by the city's refuse collection, which currently has 5,670 stops. However, comparable data for the number of single family households in the township are not available. Consequently, we assume that the ratio between total households is the same as the ratio between single family dwellings between the current city and township, which has 33% more households than the city. The following uses this ratio to calculate additional revenues and expenditures anticipated in a merged community:

Revenue from solid waste fees	\$ 805,000
Expenditures for garbage and refuse collection	1,315,000
	-----
Deficit	\$ 510,000

## Attachment II.2 - Courts & Corrections: Changes in Revenues and Expenditures

### *Changes in Revenue*

There will be no loss of any existing revenue source with a merger. The major increase in revenue will be that the Sylvania Municipal Court would retain the amounts now paid to the Sylvania Township Trustees and the Lucas County Law Library. These are based on arrests made by Sylvania Township Police. The Court currently retains the court costs but not the fines. The amounts from 2005 are as follows:

50% of fines from state traffic cases	\$32,705
DUI arrests by township police	1,942
Township arrests under 2925 of the ORC	6,225
Lucas County Law Library	32,705
	-----
Total, 2005	\$73,577

Source: Sylvania Municipal Court, *2005 Annual Report*

It should be noted that this amount of increased activity is difficult to predict for future years, since it is dependent on the amount of illegal activity brought before the courts and the actions of the court in response. The amount of fine revenue transferred to Sylvania Township (which the merged city would retain), for example, declined by more than half between 1999 and 2005, from \$85,631 to \$40,873.

### *Changes in Expenditures*

In a merged community, the Sylvania Municipal Court would likely be expected to cover the costs of prisoners from Sylvania Township in the Lucas County Corrections Center (LCCC), now covered by Lucas County. As an estimate for these costs, Table II.A.I on page 55 shows the costs for 2005 and for the first 7 months of 2006 for booking and beds, as calculated for the Lucas County Sheriff's department by the Lucas County Office of Budget and Management.

**Table II.A.1  
Costs of Housing Sylvania Township Prisoners in the LCCC, 2005 and First Seven  
Months of 2006**

Month	Number	Booking & Beds
2005		
January	35	0,597
February	21	4,041
March	32	10,107
April	16	2,806
May	17	3,659
June	29	7,120
July	22	7,925
August	19	4,742
September	15	6,220
October	17	1,878
November	20	8,825
December	21	3,649
2006		
January	29	\$ 7,175
February	26	13,651
March	23	16,421
April	21	13,680
May	27	10,371
June	17	9,779
July	20	11,694
AVERAGE FOR 2005	22	5,370
FOR FIRST 7 MONTHS	24.6	5,589
AVERAGE FOR FIRST 7 MONTHS OF 2006	23.3	11,824

The increased cost for 2006 results from increased average length of stay and an increase by the county of booking and bed stay costs of 40%. According to county finance officials, these billable costs are likely to increase again in 2007. Using the increased costs of 2006, the estimated annual costs to the Municipal Court in a merged community would be \$142,000. To this must be added the costs of housing prisoners from the township in the Corrections Center of Northwest Ohio at Stryker. These costs are currently paid by Lucas County. The monthly costs that would have been billable to Sylvania Township for 2005 and the first 7 months of 2006 are given in Table II.A.2 on page 56.

**Table II.A.2  
Costs of Housing Sylvania Township Prisoners in the CCNO, 2005 and First  
Seven Months of 2006**

CCNO BILLABLE TO SYLVANIA TOWNSHIP		
2005	BED DAYS @\$71.01	AMOUNT
January	277.50	19,705.28
February	225.00	15,977.25
March	401.50	28,510.52
April	206.30	14,649.36
May	198.60	14,102.59
June	212.30	15,075.42
July	271.50	19,279.22
August	272.00	19,314.72
September	182.80	12,980.63
October	182.20	12,938.02
November	187.50	13,314.38
December	278.00	19,740.78
TOTAL FOR FIRST 7 MONTHS	1,792.70	127,299.63
MONTHLY AVERAGE	256.10	18,185.66
TOTAL FOR 2005	2,895.20	205,588.15
MONTHLY AVERAGE	241.27	17,132.35
2006	BED DAYS @\$73.32	AMOUNT
January	435.50	31,930.86
February	312.80	22,211.93
March	315.20	22,382.35
April	218.80	15,536.99
May	237.80	16,886.18
June	144.20	10,239.64
July	272.33	19,338.15
TOTAL FOR FIRST 7 MONTHS	1,936.63	138,526.10
MONTHLY AVERAGE	276.66	19,789.44

Source: Data provided by the Lucas County Office of Budget and Management.

Since the average number of bed days has increased significantly between 2005 and 2006, the average monthly costs increased by more than \$2,500. Therefore, a cautious estimate of additional monthly costs to a merged city/township would approach \$22,000 monthly, or over \$250,000 per year. This estimate does not consider additional future bed-day cost increases or more lengthy sentences.

The city of Sylvania has sub-contracted a set number of daily beds from Lucas County at approximately \$10 a day less than the cited amount, which is the cost for available beds. The above amount can be reduced by increasing the number of contracted beds, if Lucas County is willing.

**Summary**

Estimated additional revenue to a merged city/township: \$35,000 annually, currently paid to the Lucas County Law Library.

Estimated additional expenses:

To LCCC,	\$142,000
To CCNO,	\$250,000
	-----
Total	\$392,000

Sources:

Data on which to base estimates of changes in revenues and expenditures for the Sylvania Municipal Court were derived from the following sources:

- Interviews with Judge Ramey and Law Director James Moan
- 2005 Annual Report
- 2006 Sylvania City Budget
- Documents provided by the Lucas County Sheriff Department
- Documents provided by the Lucas County Office of Management and Budget

## Attachment II.3 - Anticipated Public Works Revenues and Expenditures

Should the city and township merge, the newly formed city would have the following public works responsibilities:

- Current city responsibility for streets (including signals and other related matters), ditches, tree trimming, and bridge maintenance
- Current township responsibility for maintenance of township streets and related matters
- Current county engineer responsibility for maintenance of county roads (including signals and other related matters), ditches, and engineering services in the township
- Current ODOT responsibility for maintenance of the portions of US 23, Central Avenue, Monroe Street, Reynolds Road and Alexis Road that are currently within the township boundaries

### **Current Revenues and Expenditures**

#### **City of Sylvania**

The public works responsibilities rest in the Department of Public Service. The Department has forty-seven full time or part time employees. It is divided into the following divisions: Division of Streets, Division of Parks and Forestry, Division of Engineering, Construction, and Utility Service.

The 2006 budget for the various services provided by the Department of Public Service which will likely be affected by a merger and their respective funds is as follows:

**Table A.II.3.1  
SCM&R Expenditures, City of Sylvania  
By Fund**

Current Expenditures		
	General Fund	
	Street Cleaning	\$ 209,830
	Street Construction, Maintenance & Repair (SCM&R)	1,218,270
	Tree Maintenance	206,130
	Ditches & Drains	400,550
	Total Current	\$2,034,640
Capital Expenditures		
	Capital Improvements Fund	\$407,000

The SCM&R expenditures for the City are financed by shared revenues from the vehicle registration fee and gasoline tax, the permissive vehicle license tax, and transfers from the general fund of \$192,270 budgeted for 2006.

**Sylvania Township**

The public works responsibilities for Sylvania Township rest with the Road Department. The department has 15 full time employees: Public Works Manager, 2 road foremen, 11 utility workers and 1 building maintenance person. In addition, the Road Department may employ 10 part-time employees throughout the year.

The budget for the Road Department comes from four separately financed funds, which finance the various services it provides (including tree trimming and ditch maintenance but excluding capital expenditures). Expenditures from three of these funds are expected to exceed anticipated revenues in 2006, with the deficit covered from Township reserves. The budgeted revenues, expenditures, and deficits are as follow:

**Sylvania Township Road Department  
Expenditures, Revenues, and Balance  
By Fund**

Fund	Fund Revenues	Fund Expenditures	Balance
Motor Vehicle License Tax	\$49,900	\$49,900	\$0
Gasoline Tax	\$130,000	\$135,000	-\$5,000
Road & Bridge	\$2,080,000	\$2,749,095	-\$669,095
Permissive License	\$251,300	\$293,576	-\$42,276
<b>Totals</b>	<b>\$2,511,200</b>	<b>\$3,227,571</b>	<b>-\$716,371</b>

***Anticipated Expenditure Changes***

The costs of providing these services are not expected to decline in the event of a merger. The costs of some of these services for a merged community, however, can be expected to increase.

**City of Sylvania**

**General fund**, financed primarily through the 1.5% income tax and the 3.0 mill property tax:

- The costs of **Street Cleaning, Service Administration, and Lands & Buildings** for areas in the township are currently covered in the township budget, and should consequently not require additional funding beyond what is already spent in the township. However, since they are financed at least partly through property taxes, they will likely require replacement funding through income tax receipts or through continuation of part or all the property tax millage (see below)
- The costs of **Engineering**, however, will increase as the merged city assumes responsibilities for engineering services currently provided for the township by the Lucas County Engineer and by ODOT for state routes. The Engineer estimates this amount currently to be \$441,000; we estimate that ODOT engineering costs at \$86,000 (see below for calculations).

The **Street Construction, Maintenance & Repair fund**, financed primarily from state reimbursement of gasoline taxes and license fees, and the \$10 permissive license tax that the city levies:

- Revenues for this fund will increase by more than the combined city/township receipts from the state reimbursement because of the formula used and because the township only levies \$5 permissive license tax, which we assume will be increased to the city's \$10. All three of these are based on vehicle registration. These amounts are listed in the table below:

Jurisdiction	Revenue Source	2006 Budgeted Receipts	Current totals (city + township)	Estimated receipts from a combined community	Increase
<b>Sylvania City</b>	Gasoline taxes	\$566,863			
	License fee	220,000			
	Permissive license tax	240,000			
<b>Sylvania Township</b>	Gasoline taxes	130,000			
	License fee	49,990			
	Permissive license tax	251,300			
<b>Merged Community</b>	Gasoline taxes		\$696,863	\$1,470,000	\$773,137
	License fee		269,900	640,000	370,100
	Permissive license tax		491,300	743,000	251,700
<b>Totals</b>			\$1,458,063	\$2,8453,000	\$1,395,000

Sources: Data from financial documents from city and township; websites of Ohio Department of Taxation and Ohio Department of Public Safety; email message from the latter; calculations by team

Expenditures from this fund will increase as the merged community assumes responsibility for maintaining township, county, and ODOT responsibilities (see below)

The **street lighting fund** is financed by a front foot assessment of property. The amount of the assessment is determined by the kind of lighting provided, but is required on all city streets by ordinance so all property owners in the city pay a lighting assessment. In the township, only selected streets have lighting and only property on these streets pay the assessment. Since this study assumes minimum changes of existing practices in case of a merger, and this fund is self-supporting, it will not be included in our calculations.

The **tree maintenance fund** of the city is financed almost entirely by an assessment of \$.30 per front foot of property. The assessment is budgeted to collect \$196,100 in 2006. We assume that this assessment will continue and be extended to the Township in the event of a merged community. If so, we estimate that it will generate

approximately \$434,000 annually in additional revenue. This amount was calculated by adding the current centerline road miles in the township, the centerline miles of county maintained roads which will become the responsibility of the merged city, and the centerline miles of the ODOT-maintained roads (less US 23 and the interstate). The township's tree maintenance expenditures are not distinguished from other expenditures in the Road Department. However, the consensus of the two directors is that the special assessments will generate adequate revenue to cover additional costs for tree maintenance in the merged city.

The **ditches & drains fund** of the city has two sources of financing:

1. Another \$.30 front foot assessment (budgeted at an identical \$196,100 for 2006)
2. Transfers from the Sewer Fund (in 2006 budgeted at \$203,450)

This \$.30 front foot assessment, if continued in a merged community, will also generate an additional \$434,000 annually. However, since wastewater collection for the township is provided by Lucas County, there is not likely to be increased revenue for the sewer fund that will allow increased transfers to the ditches & drains fund to assist in the increased responsibilities. Ditches and drains in the township are currently the responsibility of both the county engineer and the township road department. Since these units do not distinguish ditches and drain expenditures from other responsibilities, the current costs of these services cannot be calculated. Revenues from this assessment may not be sufficient to adequately cover this service in a merged community.

### **Sylvania Township**

Revenue sources for the General Fund will be discussed separately, and sources and anticipated changes in the Motor Vehicle License Tax Fund, the Gasoline Tax Fund, and the Permissive License Fund were discussed in the previous section.

The other large revenue source is a 2.30 mill property tax which finances the Road & Bridge Fund, budgeted to provide \$2,080,000 in revenue in 2006. It might be possible to reduce this levy in a merged community, but it is unlikely that it can be eliminated. The additional revenue from the Motor Vehicle License Tax Fund, the Gasoline Tax Fund, and the Permissive License Fund is estimated to be insufficient to replace this revenue needed to maintain township roads and cover the current deficit in excess of \$700,000. In addition, the merged community will be expected to assume responsibility for roads now maintained by Lucas County and by ODOT.

### **Lucas County Engineer**

The Lucas County Engineer, in an update to the report of May 23, 2005, estimates that the following facilities would be transferred if a merger occurs:

- 36 centerline miles of road, or 92.6 lane miles
- 11 intersection signals, 1 flasher signal, and 7 school zone flashers
- 15 bridges

The Engineer estimates the following costs for the transferred facilities:

• Road maintenance	\$ 673,000
• Office costs (general fund expenditures)	441,000
• Capital improvements (capital fund expenditures)	1,718,000
	-----
Total annual costs	\$2,832,000

The updated report, received on October 10, 2006, is provided as Attachment II.4.

**Ohio Department of Transportation (ODOT)**

A merged community would be expected to assume responsibility for the state highway system in the township, currently maintained by ODOT. In addition to I-475, which would continue to be ODOT's responsibility, these include the portions of US 23, Central Avenue, Monroe Street, Reynolds Road and Alexis Road that are currently within the township boundaries. The estimated additional costs of maintaining these arteries are as follow:

- US 23
  - Current miles in city, approximately 1.75
  - Current 2006 contract with ODOT, \$25,800
  - Contract cost per mile, \$14,743
  - Length of US 23 currently in township, approximately 1 mile
  - Anticipated additional contract cost \$15,000
  
- Central Avenue, Monroe Street, Reynolds Road and Alexis Road, approximately 6.8 centerline miles, or approximately 34 lane miles. The current expenditures of the state in maintaining these arteries are unavailable. The closest available proxy is the estimate provided by the Lucas County Engineer of \$78,500 per mile of county roads. Using this amount as a basis, we estimate that the additional cost to the merged community would be approximately \$550,000 per year broken down in the following components:
  - Road maintenance \$130,000
  - Engineering 86,000
  - Capital 334,000

**Summary**

Based on these calculations, the revenue necessary to finance these additional aggregate responsibilities is as follows:

Replacing the revenue from the 2.30 mill township property tax for SCM&R	\$2,080,000
Covering the deficit in the Township SCM&R Fund	720,000
Maintenance of facilities transferred by the County Engineer (including SCM&R, general fund, and capital fund expenditures)	2,832,000
Maintenance of facilities transferred by ODOT (also including SCM&R, general fund, and capital fund expenditures)	<u>565,000</u>
Total	\$6,197,000

The estimated additional income tax revenue earmarked for capital improvements (\$2 million) will approximate the estimated capital expenditure needs of \$2,052,000 million, and increased income tax revenue can cover the estimated \$527,000 increase in office expenditures (primarily engineering). Subtracting these two amounts from the approximately \$6.2 million increase in expenditures leaves a gap of approximately \$3.6 million. The additional revenue from the Motor Vehicle License Tax Fund, the Gasoline Tax Fund, and the Permissive License Fund is estimated at \$1,400,000, reduce the deficit to approximately \$2.2 million. Because merging the two jurisdictions is unlikely to result in significant savings, additional resources will be necessary to fund this gap.

- The 2.30 mill property tax can be retained and extended throughout the merged community as a tax earmarked for SCM&R. Based on the ratio of property valuations in the city to that of the township, we estimate that applying this property tax to all property after a merger would produce approximately \$950,000 in additional revenue, for a total of \$3,130,000.

Reducing this property tax to 2.0 applied to the merged community would generate approximately \$2.7 million, which would be sufficient to cover the needed additional revenues for SCM&R and might possibly be reduced further at a later date.

## Attachment II.4 - Update to County Road and Bridge System Costs - Sylvania Township

- County facilities transferred if Sylvania Township is annexed:
  1. Thirty six (36.0) centerline miles of road of which 4.4 miles is currently shared with either the City of Toledo, or the City of Sylvania. The 36 miles translates to 92.6 lane miles. If township were annexed, 4.5 miles of the 36 miles, (Bancroft Street)
  2. Would remain shared with Lucas County.
  3. 11 intersection signals, 1 flasher signal, and 7 school zone flashers. (see attached list)
  4. 15 bridges (see attached list). Seven (7) bridges would continue for some County participation under the Lucas County Engineer Municipal Bridge Program.
  
- The following annual costs are estimated for the facilities transferred:
  1. Road maintenance (garage costs) \$673,000  
Snow and ice control, mowing, pavement markings, pavement repairs, signing, berming, guardrail repair, forestry, bridge repairs, catch basin/storm sewer cleaning and repair, street lighting, traffic signal maintenance, materials, etc. (based on 2005 expenditures)
  2. Office costs \$441,000  
Traffic investigations, road and bridge inspections, site plan/subdivision review and inspections plan preparation costs for CIP improvements, GIS inventories, records systems, complaints, floodplain, permits, OUPS, surveying, general office operations, etc. (based on 2005 expenditures)
  3. Capital Improvement Program \$1,718,000  
This represents the average annual cost of planned project construction cost in the 2006 thru 2010 five-year plan on the subject 36.0-mile system. Approximately 52% of this average annual cost is approved state or federal funds.

Total annual cost (2006 \$): \$ 2,832,000  
Approximate per mile cost (2006 \$): \$ 78,500

### Road and bridge state of system 2011

Roads: The remaining service life of the 36 pavement miles in year 2011 would be 10.6 years. Assuming a 20-year life, the following contract work is estimated to be needed to maintain steady state:

Major rehab: 1.8 miles per year estimated at \$765,000.  
Minor resurfacing: 1.5 miles per year estimated at \$300,000.  
Maintenance: 4.5 miles per year estimated at \$55,000.

The cost shown is in 2006 construction dollars and totals \$1,120,000. Using ODOT expansion factors the total in 2011 construction dollars is \$1,396,000.

Bridges: It is estimated that in the period from 2011 to 2026, there would be three major bridge projects:

Replace Sturbridge Road Bridge #3086 at an estimated cost of \$650,000.

Major rehabilitation of Sylvania Avenue Bridges #104 & 109 at an estimated cost of \$600,000.

The cost shown is in 2006 construction dollars and totals \$1,250,000. The estimated 2011 construction cost using ODOT expansion factors is \$1,558,000.

## Attachment II.5 - Calculating Changes in Income Tax Revenue

Methods of estimating the additional income tax revenues that a merged city/township would collect include the following:

- The most accurate forecast would require the following data:
  - Knowledge of the three independent variables that affect the amount of income tax collected: number of persons employed within the merged community, their average wages and salaries, and the effective tax rate,
  - Plus income of the township residents currently employed by jurisdictions not collecting an income tax and therefore covered by the municipal tax.
  - Minus an error/uncollectable rate

Advantage: Accurate

Disadvantage: Difficult to acquire. We attempted to get this information from the Ohio Department of Taxation and discovered that it is not available.

In lieu of accurate data, a combination of the following methods can be used to estimate likely income tax revenues. The results are credible in that they consistently show that business activity and employment levels in the current township are greater than in the current city.

- Comparing tax revenues with similar-sized communities (benchmarking)  
Advantage: availability of data  
Disadvantage: The independent variables for estimating income tax revenue for other jurisdictions may not be comparable in terms of employment and wages.
- Using commercial and industrial property valuation and personal property valuation (business inventories) as an indicator of employment, then estimating tax revenues  
Advantage: availability of data  
Disadvantage: Business property values may not be related to payroll size, and values of business inventories over-represent the contribution of capital intensive employers who may not have the most employees.
- Using employment ratios between the city and township (but without wage information) to project income tax revenues.  
Advantage: estimates available for 1991, 1993, 1998, and 2000  
Disadvantage: If average taxable wages differ significantly between the two jurisdictions, revenue estimates may result in unacceptable errors.
- Chamber of Commerce membership of 60/40 ratio of Township members to City members.  
Advantage: Data availability; consistent with other data which indicates that business activity and employment in the township is greater than that in the city.  
Disadvantage: Membership does not indicate either number of employees or payroll

In each of these methods, the ratio of values, inventories, employment, property, or Chamber of Commerce membership would be used as a proxy for actual employment ratios between the city and township. Income tax revenues would be estimated to increase by these ratios.

**Benchmarking with Other Cities**

Table A.II.5.1 on page 70 provides a comparison of income tax revenues of Ohio cities with a size similar to that of a merged Sylvania city and township. The team calculated income tax revenues as a fraction of total household income in each of these cities (including Sylvania), adjusted to 1.5% for those cities with a higher tax rate. The range is from 1.37% for Cuyahoga Falls to 1.9% for Kettering and Elyria. Applying the lower rate to a combined Sylvania city/township would give an estimate of income tax revenue at approximately twice that currently of the city; applying the higher rate provides revenue of approximately 2.5 times that of the current city. (Note: The reason income tax collections exceed the tax rate is the wages and salaries of non-residents.)

**Comparison of personal property valuation as an indicator of employment:**

Commercial and Industrial Property valuations, 2005

Sylvania City	\$ 62,539,160
Sylvania Township	150,920,620

Personal Property valuations, 2005

Sylvania City	\$20,152,603
Sylvania Township	\$51,444,608

Commercial and Industrial property valuation, ratio of Sylvania City to Sylvania Township = 1:2.41

Personal Property valuations, ration of Sylvania City to Sylvania Township = 1:2.55

Source: Data provided by Lucas County Auditor's Office

**Chamber of Commerce membership**

Ratio of Sylvania City to Sylvania Township = 1:1.5

**Employment ratios:**

There are two sources which provide information about employment data in the current city and township. The first is from a study done in 2000 by the Urban Affairs center at The University of Toledo by Professors Kozlowski and McGuire (Paul J. Kozlowski and Patrick McGuire, "City of Toledo Payroll Tax Revenue: Annual Budget Projections and Long-term Trends," Urban Affairs Center, The University of Toledo, October 2000, p. 10.) The other is from data provided by the Toledo Metropolitan Area Council of Governments (TMACOG), taken from 2000 census data. The employment numbers from these two sources are different, but the employment ratios between the city and the township are comparable.

Total Employment, Kozlowski/McGuire Study

	1991	1993	1998
City	10,694	11,565	14,128
Township	26,176	28,081	32,898
Ratio: City to Township	1:2.4	1:2.4	1:2.3

Total Employment, TMACOG Data

	2000
City	6,210
Township	17,771
Ratio: City to Township	1:2.7

The TMACOG data, since it is most detailed, needs further elaboration. These calculations are based on data provided by the Toledo Metropolitan Area Council of Governments (TMACOG), from the Census Transportation Planning Package (CTPP). These data have several limitations, according to TMACOG:

1. CTPP does not aggregate data by townships, only by municipalities, and census block groups, and the block groups do not completely match township boundaries;
2. The data are Census 2000 long form data, from a sample of approximately 1 in 7 households;
3. Data have been rounded, using the following method: 0=0, 1 through 7=4, 8 and higher=nearest multiple of five. The rounding is done to avoid issues of data disclosure and the legal implications of identifying specific individuals.

Given these limitations, they should be considered estimates, and should not be considered to reflect current employment levels.

TMACOG provided us with two files: one of workers who live in the City of Sylvania and work in other municipalities, the other of people who work in the City of Sylvania or Census block groups approximating Sylvania Township and live elsewhere. The files were set up for transportation planning purposes to reflect trips to work, and are organized by trip origin and trip destination. With the assistance of a census tract map, we have attempted to estimate the locations of the places of residence in the file of Sylvania Township and City of Sylvania workers. The TMACOG data comprises census tracts 80, 81, 82.01, 82.02, 82.03, 84, 92.01, and 92.02. Of these, four tracts, 81, 82.01, 82.02, and 82.03, are all or partly in the City of Sylvania; those employed in these tracts were not counted as working in Sylvania Township.

Total employed in City of Sylvania:	6210	
--living in Sylvania Township	903	(14.5%)
Total employed in Sylvania Township:	17,771	
--living in City of Sylvania	1,308	(7.4%)
--living in City of Toledo	6,774	(38.1%)
--living in Sylvania Township	2,167	(12.2%)
--living elsewhere (Lucas, Fulton, Wood counties in Ohio, Lenawee and Monroe counties in Michigan)	7,522	(42.3%)

Total employed in Sylvania Township, not including residents of City of Sylvania (these workers are already paying Sylvania income tax, and would not generate any increase in income tax revenue): **16,463**

Ratio of Sylvania Township employment to City of Sylvania employment: 1:2.86

Ratio of Sylvania Township employment to City of Sylvania employment: 1:2.65  
(not including residents of City of Sylvania employed in township)

The current Sylvania City income tax of 1.5% is estimated to collect \$7,602,000 in 2006. Of the total 1.5%, .25% (1/6) go into the capital improvement fund and the city general fund, or \$1,266,000 each. The remaining 1% (or 2/3) go into the income tax fund, or \$5,070,000.

In calculating income tax revenues in a merged community, use of the lowest ratio (benchmarking) projects that the township would generate the same amount of additional revenue that presently comes from the city. This appears intuitively too low, since all other indicators are that the township hosts more jobs than the city does. Estimating that the township will generate 1.5 times as much as the city is perhaps also too low but it is consistent with the optimistic benchmarking ratio and that of the Chamber of Commerce. This produces an estimate of an increase in income tax revenues of \$12 million for the merged community. It should be noted that another factor which makes this estimate conservative is that it is based on current employment in the township but does not calculate revenues from current township residents employed in jurisdictions which do not levy an income tax, such as an adjacent township. These incomes would be taxable in a merged community, but are not reflected in any of the previous calculations.

**Table A.II.5.1  
Estimating Income Tax Collections in a Merged Community: Benchmarking  
Comparative Communities**

	Kettering	Cleveland Heights	Cuyahoga Falls	Mentor	Elyria	Current Sylvania City	Sylvania City/Township--Calculations--	Sylvania City/Township--Calculations--
Households	25,657	20,913	21,655	18,797	22,409	7,151	16,640	
Median household income	45,051	46,731	42,263	57,230	38,156	57,358	61,146	
Income tax receipts (2003)	26,033,273	19,660,730	16,732,040	26,435,708	19,285,562	6,658,000		
Tax rate %	1.75	2.00	2.00	2.00	1.75	1.50		
Calculated tax collections @ 1.5%	22,314,234	14,745,548	12,549,030	19,826,781	16,530,482	6,658,000	13,951,236 (lowest rate)	19,670,779 (highest rate)
Total of household income	1,155,873,507	977,285,403	915,205,265	1,075,752,310	855,037,804	410,167,058	1,017,469,440	
Income tax collections as a fraction of household income	0.0193051	0.0150883	0.0137117	0.0184306	0.0193330	0.0162324	0.0137117	0.0193330

Source: Public Finance Management, "City of Sylvania and Sylvania Township, Ohio Consolidation of Services Analysis, May 12, 2005, p. 44. Calculations by authors.

**Table A.II.5.2  
Summary of Ratios, Estimated increase of income tax revenues, Township to City**

Method	Low	High
Benchmarking	1:1	1:1.5
Property valuations	1:2.4	1:2.55
Chamber of Commerce	1:1.5	1:1.5
Employment ratios, Kozlowski/McGuire	1:2.3	1:2.4
Employment ratios, TMACOG	1:2.7	1:2.9

## Attachment II.6 - Public Safety (Fire and Police)

Both the city and the township provide police services to their respective residents, and the township provides fire services to both jurisdictions. For the city, budgeted police expenditures for 2006 are \$3,106,037, funded from general fund revenues. For the township, these expenditures are \$6,762,257, financed by a 9.70 mill property tax levy and miscellaneous revenues of less than \$200,000. Expenditure changes for police services in a merged community can be expected to remain close to the aggregate of these two totals. Salaries and fringe benefits are comparable, and the main salary saving would come from the abolition of one of the police chief positions. The property tax millage can be reduced or eliminated if revenue from the income tax is sufficient.

The joint fire district is financed primarily by a 7.40 mill property tax and \$767,000 in miscellaneous revenues and a 2006 deficit of \$161,000, with expenditures for 2006 estimated at \$5,922,981. Overall expenditures would not be expected to be affected by a merger. The property tax could be replaced by increased income tax revenue, which would also have to cover the deficit. Miscellaneous revenues would likely remain unchanged.

A significant change for both jurisdictions in case of a merger would be in financing police and fire pensions. Municipalities in Ohio are required by the Ohio Revised Code Sections 743.33 and 743.34 to pay quarterly into the fire and police **pension trust funds** amounts equal to 19.5% of police salaries and 24% of fire salaries. To finance these employer contributions, cities must levy two.30 mill property tax dedicated each to fire and police pensions. However, the state mandated pension contributions exceed the yield from these taxes, and municipalities can cover the deficit either from additional taxes or transfers from the general fund. Sylvania city assess an .80 mill property tax in addition to the .30 mill tax for its police pension fund, which covers the additional police pension expenditures. Since fire services are provided by the township, the city does not collect the .30 mill tax for fire pensions. Sylvania Township finances its police and fire pension expenditures from the police and fire levies.

In the event of a merger, we estimate that the increase in the income tax revenue would be sufficient to cover police and fire operating expenses, so that these two levies could be eliminated. However, the merged community would have to adopt levies to fund police and fire pension trust funds. The current 2006 budgeted pension expenditures in the two jurisdictions and the estimated revenue yield from applying the .30 mill for police and fire pensions as well as the .80 additional voted millage in the city are provided below in Table A.II.6.1 on page 72.

**Table A.II.6.1  
Trust Fund Revenues and Expenditures**

	Sylvania City		Sylvania Township		Proposed Merged Community		Anticipated Balance
	Current Revenues	Current Expenditures	Current Revenues	Current Expenditures	Anticipated Revenues	Anticipated Expenditures	(Revenues less Expenditures)
Police Retirement (.30 and .80 mills)	420,000	420,000	Funded from property tax	607,322	1,677,000	1,117,322	559,678
Fire Retirement (.30 mills)	0	0	Funded from property tax	876,720	387,000	876,720	-489,720

The estimated revenues are calculated as proportions of current estimated revenues. It should be noted that the anticipated police retirement expenditures are sums of the 2006 budgeted expenditures. However, the city pays a higher percentage of police salaries into the retirement trust fund (19.5%) as required by state law than the township currently does (16.14%). The team estimates that total aggregate salaries would not change significantly in a merged community. We estimate that the merged city's contribution, at 19.5%, would add approximately \$90,000 to the current combined contributions of the two communities. Even so, the .80 mill property tax would produce a surplus for the police retirement fund. One alternative is to eliminate the .80 mill tax and replace it with two smaller levies to finance the difference between the revenues from the two .30 levies and the state mandated expenditures. Based on this assumption, we note that revenues from these additional levies would reduce the expenditure needs for these two services by this same amount. These calculations are included in Table II-1 on page 36.