



Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

April 1, 2014

The Honorable William G. Batchelder, Speaker
Ohio House of Representatives
77 S. High St., 14th Floor
Columbus, Ohio 43215

The Honorable Keith Faber, President
Ohio Senate
Statehouse, 1 Capitol Square, 2nd Floor
Columbus, Ohio 43215

Dear Speaker Batchelder and President Faber:

Division (E) of section 118.07 of the Revised Code requires the Financial Planning and Supervision Commission to report annually to the Speaker of the House and the President of the Senate on the progress made by municipal corporations, counties, or townships to eliminate fiscal emergency conditions, and the failures of municipal corporations, counties, or townships to comply with Chapter 118.

Under division (D) of section 118.05 of the Revised Code, the Director of Budget and Management or my designee serves as chairperson of each Financial Planning and Supervision Commission. As chairperson, and on behalf of all commissions in operation during the period April 2013 through March 2014, I submit the following report.

Sincerely,

Timothy S. Keen, Director

cc: The Honorable Tracy Maxwell Heard, House Minority Leader
The Honorable Joe Schiavoni, Senate Minority Leader

FINANCIAL PLANNING AND SUPERVISION COMMISSIONS ANNUAL REPORT APRIL 1, 2014

Section 118.07(E) of the Ohio Revised Code requires the Financial Planning and Supervision Commissions created under Chapter 118 to report by April 1 of each year to the Speaker of the House and the President of the Senate on the progress made in eliminating fiscal emergency conditions for local governments that are in a state of fiscal emergency. The following report is divided into six sections: 1) Conditions for Declaration and Termination of Fiscal Emergency; 2) Overview of Local Governments in Fiscal Emergency during the Period April 1, 2013 through March 31, 2014; 3) Financial Planning and Supervision Commissions Terminated since April 1, 2013; 4) Local Governments Currently in Fiscal Emergency for Which Release has been Requested by Their Commissions; 5) Local Governments Currently in Fiscal Emergency with Active Financial Planning and Supervision Commissions; and 6) Local Governments in Fiscal Emergency without an Active Financial Planning and Supervision Commission and Unable to be Released from Fiscal Emergency.

Conditions for Declaration and Termination of Fiscal Emergency

Section 118.03 of the Revised Code details the six conditions under which a municipal corporation, county, or township may be declared in fiscal emergency and placed under the oversight of a financial planning and supervision commission. These conditions are:

1. The existence of a default on any debt obligation of more than thirty days;
2. The failure for lack of cash in the funds to make payment of all payroll to employees in the amounts and at the times required by law, ordinances, resolutions, or agreements for more than thirty days after such time for payment or beyond a period of extension, or beyond the expiration of ninety days from the original time for payment, whichever occurs first;
3. An increase, by action of the county budget commission pursuant to division (D) of section 5705.31 of the Revised Code, in the minimum levy of the municipal corporation, county, or township for the current or next fiscal year which results in a reduction in the minimum levies for one or more other divisions or taxing districts;
4. The existence of past due accounts payable from the general fund that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of the general fund budget for that year.

OR

The existence of past due accounts payable from all funds that were due and payable for at least thirty days at the end of the preceding fiscal year, or to which a penalty has been added for failure to pay at the end of the fiscal year. Such past due accounts payable must exceed one-sixth of available revenues during the preceding year, excluding nonrecurring receipts.

5. The existence of a condition in which the aggregate of deficit amounts of all deficit funds at the end of the preceding fiscal year, less the total of any year-end balance in the general fund and in any special fund that may be transferred to meet such deficit, exceeded one-sixth of the total of the general fund budget for that year and the receipts to those deficit funds during that year other than from transfers from the general fund.
6. The existence of a condition in which, at the end of the preceding fiscal year, moneys and marketable investments in or held for the unsegregated treasury of the municipal corporation, county or township, minus outstanding checks and warrants, were less in

amount than the aggregate of the positive balances of the general fund and those special funds the purposes of which the unsegregated treasury is held to meet, and such deficiency exceeded one-sixth of the total amount received into the unsegregated treasury during the preceding fiscal year.

Termination of the financial planning and supervision commission formed as a result of the declaration of fiscal emergency by the Auditor of State thereby releases the municipal corporation, county, or township from fiscal emergency. Under section 118.27 of the Revised Code, the municipal corporation, county, or township must do all of the following if the commission is to be terminated and release from fiscal emergency is to occur:

1. Plan and is in the process of a good faith implementation of, an effective financial accounting and reporting system, and it is reasonably expected that such implementation will be completed within two years;
2. Correct and eliminate or has planned and is in the process of good faith implementation of correcting and eliminating all of the fiscal emergency conditions and no new fiscal emergency conditions have occurred;
3. Met the objectives of the financial recovery plan described in section 118.06 of the Revised Code;
4. Prepare a financial forecast for a five-year period in accordance with the standards issued by the Auditor of State. The Auditor of State must render an opinion that the financial forecast is considered to be nonadverse.

The first condition for termination is met by addressing the comments made on the Report on Accounting Methods issued by the Auditor of State's office. This report focuses on the development or lack of written policies, the need for adequate cash controls, and the use of spending restraints among other items. By addressing these comments, the municipal corporation, county, or township often addresses the reasons why it found itself in fiscal emergency, thereby precluding a repeat of this declaration.

Overview of Local Governments in Fiscal Emergency during the Period April 1, 2013 through March 31, 2014

There were twenty-nine local governments in fiscal emergency at some point during the period April 1, 2013 through March 31, 2014. Seven of them were released from fiscal emergency, and four more have requested release, and are awaiting completion of a termination analysis. Of the eighteen remaining, fourteen had active financial planning and supervision commissions.

Of the four local governments in fiscal emergency that do not have active financial planning and supervision commissions, three are not legally required to have one. Am. Sub. H.B. 153 of the 129th General Assembly amended section 118.05 of the Revised Code to create a new form of oversight for those local political jurisdictions with populations under 1,000 that meet any of the six conditions for fiscal emergency. In these cases, the powers and duties normally assumed by a commission are delegated to a financial supervisor who is employed by the Auditor of State. The first entity subject to this amendment was the Village of Tiro in Crawford County in August of 2012. Since that time, two more entities were added: the Village of Morral in Marion County and the Village of Patterson in Hardin County. Both of these villages were declared in fiscal emergency on May 14, 2013 and are overseen by the Auditor of State.

The remaining local government, the Village of Fort Shawnee, no longer exists. A voter referendum in November of 2012 resulted in the surrender of the village's corporate powers and its annexation by Shawnee Township. Although the township absorbed the village's deficits, Fort Shawnee never met the requirements for release from fiscal emergency prior to annexation.

The average length of time that the governments that are the subject of this report have been in fiscal emergency is 5 years. Manchester Township, however, has been in fiscal emergency for approximately 11.6 years. The two most recent declarations were made on October 8, 2013 and December 17, 2013, and were for the City of Massillon and the Village of Edgerton, respectively.

The following municipal corporations, counties, or townships have been declared in fiscal emergency and have either been released from fiscal emergency as a result of the termination of their commission, have requested release and are awaiting the completion of a termination analysis by the Auditor of State, have an active commission and are currently working on the four conditions detailed above in order to be released from fiscal emergency, or have been merged prior to release from fiscal emergency.

Financial Planning and Supervision Commissions Terminated Since April 1, 2013

Village of Bethel, Clermont County

Population: 2,711

Date Fiscal Emergency Declared: August 24, 2010

Brief Summary:

The Village of Bethel was declared in fiscal emergency as a result of deficit fund balances. Determined to expedite its release from fiscal emergency, the village decreased personnel expenditures through attrition or layoffs, reduced overtime, and held the salary of employees at zero growth. In addition, Bethel took the unprecedented move of voluntarily limiting appropriations for all funds to 85% of expected revenues. By also passing a street levy, and maximizing its investment opportunities, the village brought deficit funds under control in a little over a year. Solid five-year financial projections combined with the implementation of sound fiscal policies and procedures culminated in the village's request for release from fiscal emergency on February 6, 2013.

After the performance of a termination analysis by the Auditor of State, the Village of Bethel was released from fiscal emergency on October 17, 2013.

City of Campbell, Mahoning County

Population: 8,235

Date Fiscal Emergency Declared: June 10, 2004

Brief Summary:

When the City of Campbell was declared in fiscal emergency, seven funds had deficit balances totaling \$598,128, and there was a real question as to the city's ability to provide for the next payroll. The waterworks infrastructure had become difficult to support, and talk began of its possible sale.

Campbell addressed its deficits through a combination of cost cutting measures and revenue enhancements. City council waived its health insurance coverage, fleet and fire insurance was moved to a consortium, all city departments experienced staff reductions, and city workers went without raises for 8 years. Campbell passed two levies, one for road improvements and the other for safety services; instituted a garbage fee and water meter charge; and adopted a delinquent income tax payment program to provide support for basic services.

What eventually prevented the city from coming out of fiscal emergency had been its inability to address all the comments made on the Auditor of State's Report on Accounting Methods. Changes in the composition and commitment of the administration and city council, and the hiring of a new finance director resulted in an expedient resolution of these comments, and Campbell requested release from fiscal emergency on January 28, 2013.

The Auditor of State performed its termination analysis and the city was released from fiscal emergency on October 2, 2013

City of Garfield Heights, Cuyahoga County

Population: 28,849

Date Fiscal Emergency Declared: October 14, 2008

Brief Summary:

The City of Garfield Heights had nine funds with deficit balances totaling over \$4.8 million, and although possessing adequate cash, was over sixty days past due on some obligations when the fiscal emergency declaration was issued. In 2009, a Local Government Fund Note was issued in the amount of \$3,499,883.34 to assist in the reduction of deficit balances. Note payments from the proceeds of the city's local government fund distribution will cease after April of 2014.

To address its financial distress, Garfield Heights reduced city staff by 40 full-time positions through attrition, saving \$2 million annually; reduced administrative pay by 30%, saving \$600,000 annually; and instituted a residential garbage fee, vehicle towing fee and amusement center licensing fee, increasing revenue by \$1.3 million annually. The city has also increased recreational, building and ambulance fees to generate an additional \$380,000 per year.

Garfield Heights has resolved all of the conditions that placed the city in fiscal emergency and now projects healthy balances for the next five years. The city has expressed a commitment to exercise strong fiscal management and continues to build upon collaborative endeavors such as the Southeast Area Law Enforcement Agency (SEALE), the Northeast Ohio Public Energy Council (NOPEC), and the First Suburbs Consortium to provide needed services to its constituents in the future.

Garfield Heights was released from fiscal emergency on September 19, 2013.

Village of McClure, Henry County

Population: 725

Date Fiscal Emergency Declared: September 10, 2009

Brief Summary:

When the Village of McClure was declared in fiscal emergency, it had four funds with deficit balances totaling slightly under \$200,000 and a treasury deficiency of around \$125,000. A regular audit performed for years ending December 31, 2008 and 2009 resulted in several findings for recovery against the then clerk-treasurer for overpayments, unauthorized advances between funds, the withholding of pay for a village employee for the repayment of a personal loan, and several undocumented expenditures. The position of clerk-treasurer, which is an elected position, has been replaced with the appointment of a fiscal clerk.

Since September of 2009, the village has transferred its water and sewer operations to Henry County and eliminated its small police department. The village subsequently auctioned off surplus equipment, contracted with the Regional Income Tax Agency (RITA) for income tax administration, and continued to exercise fiscal restraint until all deficits were extinguished and sufficient carryover balances were attained.

After successfully addressing comments contained on the Report on Accounting Methods, McClure requested release from fiscal emergency on July 18, 2013. The Village of McClure was released from fiscal emergency on October 22, 2013.

Village of Melrose, Putnam County

Population: 275

Date Fiscal Emergency Declared:

December 17, 2008

Brief Summary:

As of October 31, 2008 when the analysis was performed that led to the declaration of fiscal emergency, the Village of Melrose had three funds with deficit balances totaling over \$18,000 and a treasury deficiency of approximately the same amount. Although these amounts may seem fairly insignificant, the thresholds for the declaration were met quite readily due to the size of the village's total budget.

In order to resolve its deficits, the village instituted a one percent income tax, enacted a \$5 permissive license fee, reduced the number of operable street lights, and renewed fire and EMS levies that cover the provision of these services by the Village of Oakwood. These initiatives combined with strengthened fiscal stewardship prompted the Financial Planning and Supervision Commission for the Village of Melrose to formally request its release from fiscal emergency on January 15, 2013.

The Village of Melrose was formally removed from fiscal emergency on May 9, 2013.

Village of Midland, Clinton County

Population: 315

Date Fiscal Emergency Declared:

November 30, 2006

Brief Summary:

The Village of Midland was declared in fiscal emergency due to deficits in two funds. These deficits were primarily the result of the illegal use of village cash and credit by the fiscal officer as well as improper accounting procedures and the lack of fiscal policy. The fiscal officer had also allowed an existing 3 mil levy to expire, causing a substantial revenue problem in 2006 and beyond.

Less than a year later, the village placed a 3 mil replacement levy on the ballot to restore the loss of funding. This levy passed, but several attempts for new millage failed until the village finally succeeded in November of 2009. All funds were brought to a healthy position and the Financial Planning and Supervision Commission requested release from fiscal emergency on March 13, 2012. The village continued to work on comments on the Report on Accounting Methods in order to be removed from fiscal emergency.

These comments were finally addressed and the village was removed from fiscal emergency on May 14, 2013.

Village of West Elkton

Population: 197

Date Fiscal Emergency Declared: September 16, 2004

Brief Summary:

On September 16, 2004, the Village of West Elkton was declared in fiscal emergency as a result of treasury deficiencies and deficit balances in five funds. The village's expenditures had exceeded its revenues for quite some time. Various cost cutting and revenue generating initiatives were put into place, and the village was ready to request release from fiscal emergency in 2008. While the comments on the Report on Accounting Methods were being addressed, the village deviated from its recovery plan, and forecasts showed the general fund back in a deficit position. The Commission reconvened, and the village made the necessary adjustments, including disbanding the police department and selling its sole cruiser, to achieve a non-adverse five year forecast.

The Village of West Elkton's Financial Planning and Supervision Commission again requested release from fiscal emergency on April 17, 2012. However, the Village deviated from its recovery plan yet again and the Auditor of State made a decision to monitor operations for a continued period of time. After a lengthy period of monitoring, the Village of West Elkton successfully met the goals of its Financial Recovery plan and was formally released from fiscal emergency on May 28, 2013.

Local Governments Currently in Fiscal Emergency for Which Release has been Requested by Their Commissions

Bloom Township, Scioto County

Population: 3,235

Date Fiscal Emergency Declared: August 9, 2005

Brief Summary:

Bloom Township's deficits in its general fund and motor vehicle license tax fund were responsible for the declaration of fiscal emergency in August of 2005. Several attempts to increase revenues to generate positive fund balances were rejected by the voters, and the township trustees were forced to resort to performing services themselves, decreasing expenditures, and adjusting the allocation of expenses among funds.

By August of 2009, the township had resolved all deficit fund balances, and prepared to request release from fiscal emergency. Attempts by the Auditor of State to meet with the fiscal officer to prepare for the termination analysis were unsuccessful, and the township remained in fiscal emergency. In February of 2011, a second request for release was sent to the Auditor's Office and office staff will complete a termination analysis.

Village of Manchester, Adams County

Population: 2,023

Date Fiscal Emergency Declared: September 29, 1997

Brief Summary:

Deficit fund balances prompted the declaration of fiscal emergency for the Village of Manchester. Through various spending cuts and revenue enhancements, the village was ready to request release from fiscal emergency in 2005. Remaining deficits and issues with the inability of the village's clerk to correct the problems identified in the Report on the Accounting Methods precluded removal at that time. A change in the staffing of the clerk's position, and further revenue enhancements have enabled the village to formulate a non-adverse five-year projection and to remain on solid ground in the future.

Although the village requested release from fiscal emergency on February 14, 2012, the Auditor of State is continuing to monitor the village's implementation of an effective financial accounting and reporting system as provided in section 118.27 of the Revised Code. This is the second time that Manchester has been declared in fiscal emergency and a good financial accounting and reporting system is integral to the continued financial stability of the village.

Scioto County

Population: 79,499

Date Fiscal Emergency Declared:

August 19, 2009

Brief Summary:

Scioto County is the first county in the state of Ohio to be declared in fiscal emergency. When the declaration was made, the county had four funds with deficit balances totaling over \$3.5 million. Since that time, the county's commitment to keep spending in line combined with strong gains in sales tax collections have been responsible for the eradication of all deficit balances. One of the most problematic was the deficit in the Juvenile Detention Center fund which was remediated through a series of transfers from the general fund.

The county completed its work on its five year forecast and now projects healthy positive balances in all funds. The Financial Planning and Supervision Commission requested the Auditor of State to release the county from fiscal emergency on February 20, 2014. It is anticipated that the Auditor's termination analysis will be issued in late June or July.

Village of Waynesville, Warren County

Population: 2,834

Date Fiscal Emergency Declared:

April 15, 2008

Brief Summary:

Five deficit fund balances were responsible for the fiscal emergency declaration for the Village of Waynesville. Unlike most deficit funds situations, the general fund was healthy, but could not offset the deficits in the street maintenance and repair fund, the police fund, the sidewalk assessment fund, the parks and recreation fund, and the historic preservation fund. On its second attempt, the village passed a 1% income tax with 100% credit/reciprocity if paid to another jurisdiction. The increased revenues permitted the village to accelerate principal payments on a bond anticipation note reducing its interest expenses, as well as offset its outstanding fund deficits. The village has continued to keep spending in line and is working on the resolution of a few outstanding comments on the Report on Accounting Methods.

Although the village originally requested release from fiscal emergency in September of 2011, three subsequent changes to their financial recovery plan as well as a change in staffing in their fiscal operations has slowed progress on the fiscal emergency termination analysis. Completion, however, is expected in the near future.

Local Governments Currently in Fiscal Emergency with Active Financial Planning and Supervision Commissions

City of East Cleveland, Cuyahoga County

Population: 17,843

Date Fiscal Emergency Declared: October 9, 2012

Brief Summary:

When declared to be in fiscal caution by the Auditor of State, the City of East Cleveland had deficit fund balances in an amount exceeding \$5.8 million. An inability to formulate a plan to correct the fiscal practices or budgetary conditions that prompted this declaration first led the city into fiscal watch and then finally into fiscal emergency.

East Cleveland is no stranger to fiscal emergency, having been first declared in 1988. After a struggle to achieve fiscal solvency that stretched over 17 years, the city was terminated from fiscal emergency in 2006. However, many of the problems that plagued the city then continue today. East Cleveland's financial difficulties are the result of a structural imbalance that has resulted in the provision of basic services at costs that exceed revenues. It is not the cost of services that has compounded the problem, but rather, the loss of revenues that has devastated the city's financial base. The city income tax, which is its greatest source of revenue, has been dealt a serious blow by the loss of employers such as the United States Postal Service and Huron Hospital.

Further exacerbating its existing structural imbalance was an overly optimistic revenue forecast for 2013 that fell far short of actual receipts. Based on the poor performance of revenues in 2013, 2014 estimates were amended downward. The subsequent reduction in revenue estimates will require a further reduction in appropriations to ensure a balanced budget. Not only must the city provide services with a smaller budget, it must also find the means to address unpaid bills of approximately \$1.7 million that it held at the start of 2014. It is likely that the city will not only have to decide what services it will provide residents, but how these services will be provided and by whom.

Village of Edgerton, Williams County

Population: 2,012

Date Fiscal Emergency Declared: December 17, 2013

Brief Summary:

The Village of Edgerton was declared in fiscal emergency as a result of deficit fund balances in the General, Street Construction, Maintenance and Repair, State Highway, Infrastructure, Storm water, and Garbage Funds as of August 31, 2013. Although the village's financial records did not rise to the level of unauditable, it is certain that much reconstruction, revisions, and reconciliation must occur before the true nature of the village's financial distress is known.

This has not prevented the village from taking action to address these deficits and it has arrived at a preliminary recovery plan well in advance of its June 24, 2014 due date. The village administration has stressed that it is their goal to get out of fiscal emergency as soon as possible and to continue operations of the village on more sound financial footing. The hiring of a new fiscal officer and a new village administrator has been a positive step towards achieving this goal.

City of Galion, Crawford County

Population: 10,512

Date Fiscal Emergency Declared: August 9, 2004

Brief Summary:

When the city of Galion was declared in fiscal emergency, it had 13 separate funds that were running deficits totaling more than \$10.9 million, and a treasury deficiency of slightly over \$4.3 million. Throughout the years, the city has reduced general expenditures, employed layoffs, aggressively negotiated labor and health insurance contracts, and increased revenues through water, sewer, and electric rate hikes as well as increases in income tax. All fund deficits have been cured as a result.

In November of 2012, voters abolished the city charter, and Galion is now a statutory municipal corporation. The city's change in governance has required more than a few adjustments to operations, but Galion continues to work towards resolution of any remaining issues, intent on gaining release from fiscal emergency. At present, the city is working through challenges brought about by its loss of institutional knowledge and a lack of experience in some governmental procedures and requirements. Galion will remain in fiscal emergency so that it can benefit from the expertise of staff from the Auditor of State's Office.

Village of Lakemore, Summit County

Population: 3,068

Date Fiscal Emergency Declared: August 31, 2010

Brief Summary:

The Village of Lakemore was declared in fiscal emergency as a result of deficit fund balances and a treasury deficiency. Although some improvements in its financial condition have occurred, the village is still struggling with the loss of its major employer.

Lakemore reduced the income tax credit given to residents employed outside of the village until its efforts to grow its economy bear fruit. Few developable areas are available to entice new employment opportunities, but the village has met with some measured success. Some new businesses have located in the village, and along with the expansion of established businesses and the income tax revenues from the construction of a new high school for Springfield Local School District, the village was able to end 2013 with a reduction of almost \$260,000 in their general fund deficit. In addition, there has been some interest in expanding residential housing in some areas.

Lakemore currently contains a Community Reinvestment Act (CRA) zone and it looks to leverage this advantage towards further development. The village continues to attempt to hold

costs down and has actively investigated potential grants and additional collaborative relationships with local, state, and federal partners. A recent draft of its five year forecast indicates that Lakemore may be able to request release in 2015 or 2016 as long as it continues to follow its recovery plan.

Village of Leipsic, Putnam County

Population: 2,093

Date Fiscal Emergency Declared:

September 16, 2010

Brief Summary:

As of May 31, 2010 when a fiscal emergency analysis was conducted, the Village of Leipsic had five funds with deficits totaling over \$1 million and three OWDA loans for which payments were thirty days past due. Leipsic had incurred more debt than it could reasonably manage in an attempt to keep pace with the demands of investments made in the area.

The Village of Leipsic has increased water and sewer rates to cover debt service obligations and future maintenance and improvements to those systems. Leipsic will continue to refinance debt so that the burden of these payments can be more readily handled and will search out grants and other funding as well. The village passed a .5% income tax that is up for renewal in 2015. Nine percent of the tax is used to remediate blighted properties with the remainder used to retire the reservoir debt service. Failure to renew this levy would have a significant effect on the village's finances and its ability to be released from fiscal emergency.

Assuming renewal of the levy and a judicious amount of capital investment, Leipsic would have sufficient carryover cash balances in all funds to request release by at least 2018, if not a year earlier.

Manchester Township, Adams County

Population: 2,052

Date Fiscal Emergency Declared:

September 20, 2002

Brief Summary:

When fiscal emergency was declared, Manchester Township had a number of funds with deficit balances, a treasury deficiency, and had used gas tax revenues to support general operations. In almost ten years of fiscal emergency, improvements to the township's financial picture have been negligible. Past levy results indicate a reluctance to support the township with additional funding, and the general fund remains in a deficit position. The township is a likely candidate for dissolution.

City of Mansfield, Richland County

Population: 47,821

Date Fiscal Emergency Declared:

August 19, 2010

Brief Summary:

The city of Mansfield had eleven funds with deficit balances of over \$9.7 million dollars when it was declared in fiscal emergency. Since the declaration of fiscal emergency, Mansfield has instituted layoffs, restructured operations citywide to realize efficiencies and economies of scale, and sought and received some concessions from safety forces.

Although the general fund has been in the black for some time, the inability of the Safety Services Fund to support the full operation of police and fire services places considerable stress on the general fund to supplement the costs of these services. To alleviate the stress on the general fund and provide a more stable base for operations in the future, the city placed a .25% income tax levy on the November 2013 ballot. The levy's subsequent passage will provide additional funds for safety, parks, and demolition of blighted properties.

Due to issues such as difficulties in passing a permanent budget and ongoing conciliation meetings with the Fire Department, an updated five-year forecast was not completed prior to issuance of this report. It is expected that an updated five-year forecast will be available at the Mansfield Planning and Supervision Commission meeting in April, at which time the commission will likely request release from fiscal emergency.

City of Massillon, Stark County

Population: 32,149

Date Fiscal Emergency Declared:

October 8, 2013

Brief Summary:

The City of Massillon was declared in fiscal emergency on October 8, 2013. Cash balances, accounts payables, and encumbrances were calculated to bring eleven funds of the city into a deficit position.

The new city administration began to reduce expenditures as soon as it took office. A deficit of \$2.4 million in the general fund from 2012 was carried over into 2013, but by year's end that deficit was reduced to \$1.1 million. The reduction in the deficit was accomplished through spending cuts, increased income tax collections, and the receipt of one time revenues such as workers' compensation rebates, and personal property and estate tax collections. In addition, Massillon continues to aggressively pursue economic development initiatives, grant funding, and collaborative partnerships.

Massillon submitted its fiscal recovery plan within the one hundred and twenty days prescribed by the Revised Code. Among many of the initiatives included in this plan is the reduction of an income tax credit from 100 percent to 75 percent for residents employed outside the city; a ballot initiative to increase the income tax rate from 1.8 percent to 1.9 percent; the phase out for existing employees and the elimination for all new hires of an educational stipend; and an additional street lighting fee.

The fiscal recovery plan came before the Commission on March 25th, where it was unanimously rejected. While the commission found that the plan complied with divisions (A)(1)-(7) of section 118.06 of the Revised Code regarding the elimination of all deficits, avoidance of fiscal emergency conditions in the future, and so on, it did not find that the plan could reasonably be expected to be implemented within the period specified in the plan, nor did it find the plan to be bona fide. According to statute, Massillon has within thirty days after the rejection of the plan to submit another plan for approval or rejection by the commission.

Village of New Bavaria, Henry County

Population: 99

Date Fiscal Emergency Declared: May 6, 2010

Brief Summary:

The Village of New Bavaria was declared in fiscal emergency as the result of a deficit in the general fund of more than \$12,000, as well as a corresponding treasury deficiency. In an attempt to resolve this deficit, the village passed a 3 mil property tax, and recently instituted a one percent income tax.

Given their small tax base, however, it will take some time to fully address the general fund deficit. Although tax revenues have come in higher than first anticipated, reducing the deficit by over \$10,000, much of these gains will be eaten away by salary and audit expenses, and some minimal park improvements in the future. The general fund is projected to continue to be in a deficit position until 2015.

Village of Newcomerstown, Tuscarawas County

Population: 3,822

Date Fiscal Emergency Declared: October 11, 2012

Brief Summary:

Although the Village of Newcomerstown has struggled financially for a number of years, it wasn't until 2012 when the village met the criteria for declaration of fiscal emergency under sections 118.03(A)(5) and 118.03(B) of the Ohio Revised Code. Of the four funds that revealed adjusted deficit balances as of April 30, 2012, the largest deficit was in the village's Cemetery Fund. An attempt to address this deficit by instituting a cemetery levy failed in November of 2012. Efforts to place another levy on the ballot have been unable to even get a motion to present it to council for consideration.

An unanticipated boost in revenues to the general fund was realized by the receipt of estate taxes, but this cannot be transferred to the Cemetery Fund to alleviate its deficit balance at this time due to legal questions concerning the actual domicile of the deceased.

Newcomerstown is unique in its mixed tax base, hosting an industrial park as well as a large residential population. While It has the potential to increase general revenues through economic development, and to decrease the deficit accordingly, the village has struggled with the loss of two long time employers and has concentrated on retaining others.

The greatest challenge facing Newcomerstown at this time is its inability to get accurate data upon which to base its financial decisions. The village has two finance clerks that work on a part time basis and who are not available during the day when most expenditure decisions are made. As a result, Newcomerstown ended 2013 with a combination of spending more than estimated revenues, spending more than what was appropriated, and spending that surpassed both revenue receipts and appropriations passed by council. Until measures are taken to address the seriousness of the lack of financial data and control, the village will remain in fiscal emergency and runs the risk of incurring deeper deficits.

Village of Portage, Wood County

Population: 438

Date Fiscal Emergency Declared: April 8, 2009

Brief Summary:

When the Village of Portage was declared in fiscal emergency, it had two funds with deficit balances totaling over \$135,000 and a treasury deficiency of over \$77,000. To remedy the situation, the village reduced expenditures, imposed a one percent income tax and has annexed property north of the village to generate additional income.

A recent five-year projection indicates that the village may be in the position to request release from fiscal emergency in 2015 or 2016 when sufficient carryover cash balances will be realized.

City of Wellston, Jackson County

Population: 5,663

Date Fiscal Emergency Declared: October 1, 2009

Brief Summary:

When the City of Wellston was declared in fiscal emergency, it had a treasury deficit of over \$1.7 million. Since this time, the city has been able to reduce cash deficits and has actually built positive balances in some funds that previously were in the red.

As of December 31, 2013, only two funds are in a deficit position: the Cemetery Fund and the Sewer Fund. The largest deficit of a little over \$247,000 is in the Cemetery Fund, but this deficit is anticipated to decrease due to the passage of a cemetery levy in a special election held in May of 2013.

The city continues to be steadfast in its desire to improve its fiscal position. Reductions in deficit balances have occurred and the city is committed to ensure that deficit reductions continue. Wellston has pledged to make sure that spending will be controlled, efficient, and effectively managed, and that it will strive to make strategic investments when the opportunity is presented.

Village of West Mansfield, Logan County

Population: 682

Date Fiscal Emergency Declared:

August 13, 2009

Brief Summary:

The Village of West Mansfield had five funds with deficit fund balances totaling well over \$200,000 and a corresponding treasury deficiency. The most problematic of these deficits involves water and sewer operations. While a 1.5 mil levy for repairs and EPA required improvements to water facilities was renewed, a different allocation scheme between the two funds was required, as well as a series of rate hikes in order to achieve solvency. Water and sewer charges increased by twenty percent in 2012, ten percent in 2013, and will increase by one percent in years 2014 through 2018.

The village has received some grants from the Ohio Public Works Commission and the Development Services Agency to complete projects related to their water operations. It will also seek some debt financing for required projects.

The village renewed a 2.5 mil levy for street repairs, but it is set to expire in 2014 and renewal is not contemplated. West Mansfield will always have to rely on the general fund to offset all expenses. In order to do this, the village passed levies in 2009 for general operations and has enacted a one percent income tax effective January of 2013. Until a solid revenue pattern based on this new source can be established, it is not known when removal from fiscal emergency will occur.

Village of Willshire, Van Wert County

Population: 397

Date Fiscal Emergency Declared:

December 29, 2005

Brief Summary:

When the Village of Willshire was declared in fiscal emergency, it had two funds with deficit balances totaling over \$100,000, and a treasury deficiency of slightly more than \$40,000. As is the case with the Village of West Mansfield, water and wastewater operations are the main concern. The water system is operating with excess capacity, and the village is looking to add new customers to improve cash flow. In the interim, the existing population has been forced to cover the operating costs of the system, which can be cost prohibitive. Water and sewer rates, for instance, have increased by 15 percent in 2010 and 10 percent in 2011, although the rate of increase has abated a bit and is not expected to exceed 1 percent starting in 2016.

Additional revenue enhancements include the passage of a 3 mil levy for fire department operations and a one percent income tax with no credit given for taxes paid to other municipalities. Both the water and the wastewater funds will begin to achieve positive balances this year, and if revenues and expenditures stay in line with the village's recovery plan, a request for release from fiscal emergency can be expected at the end of 2018.

Local Governments in Fiscal Emergency without an Active Financial Planning and Supervision Commission and Unable to be Released from Fiscal Emergency

Village of Fort Shawnee, Allen County

Population: 3,726

Date Fiscal Emergency Declared: September 16, 2010

Brief Summary:

The Village of Fort Shawnee was declared in fiscal emergency as a result of deficit fund balances, and a treasury deficiency. In addition, the village had past due accounts payable that were at least thirty days behind at the end of the previous calendar year, and at least sixty days behind at the time of declaration. The village made spending cuts, reduced staffing, and reduced the hours of current staff. In spite of these actions, the only way the village could hope to be released from fiscal emergency was by increasing its current revenue stream.

An attempt to do so in November of 2011 with the placement of a 4.4 mil property tax levy on the ballot failed by a wide margin. In November 2012, the village tried once more to pass a tax levy, and again met with strong opposition. What did meet with much greater success was a measure placed on that same ballot by voter referendum to surrender the village's corporate powers and dissolve. In compliance with section 703.21 of the Revised Code, the results of the election were certified to the secretary of state and the county recorder and subsequently recorded, thereby ceasing the village's corporate powers. As soon as the transfer of deeds and property takes place under judicial supervision, the village's financial records will be closed out, and a check for the remaining fund balances will be issued to Shawnee Township.

Although Fort Shawnee no longer exists as a village, it technically remains in fiscal emergency because it could not meet the criteria for dissolution of the commission under section 118.27 of the Revised Code. The fiscal emergency laws as they currently exist do not contemplate such an occurrence, and OBM will be working with the Auditor of State and the Attorney General to recommend a resolution.

