

2009 Liberty Township Financial Report

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Cash Flows

Table 1 on the next page shows cash flow as measured by revenues minus expenses for the three operating funds of the township: administration, roads and fire. Clearly cash flow has not been good.

Revenues to the General Fund pay for administration, zoning and parks. This fund has been in the red the last five years. For the period 2007-2009, legal fees and the development of Havener Park have caused red ink. The \$245,000 drop in 2009 revenues contributed to 2009 losses. Park development is done, but operating cost will increase. Legal issues will continue to be unknown and risky. Revenues for property taxes are below expenses. The fund depends on interest income, zoning fees and estate taxes to make up the difference.

The road department has had positive cash flow the last two years. The revenues for this department are from property taxes derived from property in the township. When Powell annexes property, road fund revenue is lost. Since employee costs are roughly 50% of revenues, this department should stay in the black.

The fire fund is different story. Since 2005 expenses have been increasing much faster than revenues. The major reason for this is the increases in employee costs. Employee costs which are salaries, benefits, retirement, worker compensation premiums, and Medicare were 76.9% of revenues in 2005 growing to 94% of revenues in 2009. These percentages are much too high for a department that also has significant operating expenses. Left unchecked, employee cost will exceed revenues in the next two to three years. This cannot be allowed to happen.

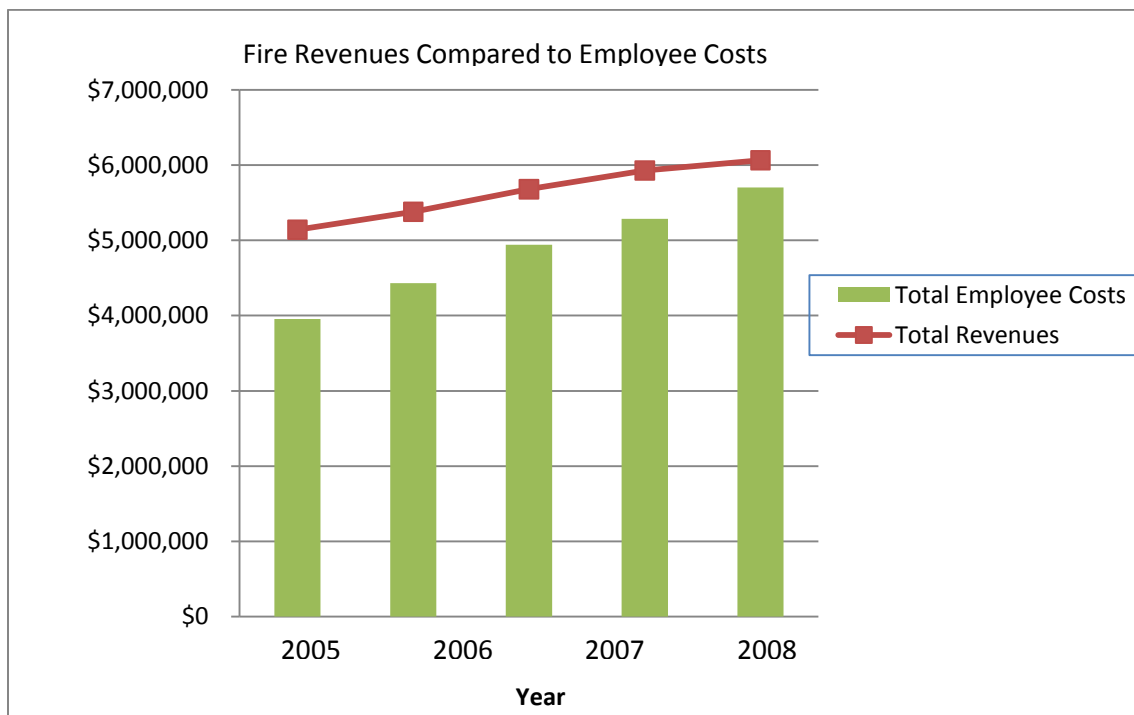


Table 1: Cash Flows 2005-2009

1000-General	2005	2006	2007	2008	2009
Property & Other Taxes	\$815,681	\$950,711	\$1,061,187	\$1,092,305	\$1,190,468
Intergovernmental	\$491,888	\$207,528	\$327,830	\$551,472	\$213,870
Licenses, Permits and Fees	\$210,713	\$238,088	\$159,890	\$293,396	\$275,535
Earning on Interest	\$174,199	\$281,815	\$306,014	\$183,763	\$16,193
Other Financing Sources	\$12,019	\$124,966	\$8,180	\$0	\$0
Miscellaneous	\$293,662	\$345,612	\$188,779	\$102,397	\$81,983
Total Revenues	\$1,998,162	\$2,148,719	\$2,051,881	\$2,223,333	\$1,778,048
Salaries	(\$489,945)	(\$544,146)	(\$639,159)	(\$700,100)	(\$725,306)
Employee Fringe Benefits	(\$369,698)	(\$424,675)	(\$474,045)	(\$352,575)	(\$369,543)
Purchased Services	(\$369,893)	(\$301,294)	(\$816,491)	(\$1,127,896)	(\$545,670)
Supplies&Materials	(\$61,298)	(\$57,343)	(\$70,847)	(\$48,025)	(\$87,931)
Other	(\$131,596)	(\$148,415)	(\$143,087)	(\$32,145)	(\$14,679)
Capital Outlay	(\$602,001)	(\$778,498)	(\$349,156)	(\$299,662)	(\$219,077)
Debt Service	\$0	\$0	\$0	(\$138,711)	(\$15,870)
Financing Uses-Other	\$0	\$0	\$0	(\$400)	\$0
Total Expenses	(\$2,024,431)	(\$2,254,370)	(\$2,492,784)	(\$2,699,514)	(\$1,978,076)
Net Cash Flow	(\$26,269)	(\$105,652)	(\$440,903)	(\$476,181)	(\$200,028)
Statistics					
Employee Cost % Revenues	43.0%	45.1%	54.3%	47.3%	61.6%
Change in Revenues		7.5%	-4.5%	8.4%	-20.0%
Change in Salaries		11.1%	17.5%	9.5%	3.6%
Change in Employee Benefits		14.9%	11.6%	-25.6%	4.8%
2031-Road and Bridge	2005	2006	2007	2008	2009
Property & Other Taxes	\$672,182	\$817,172	\$851,460	\$914,055	\$1,004,129
Intergovernmental	\$86,584	\$94,657	\$99,803	\$81,172	\$110,062
Licenses, Permits and Fees	\$6,750	\$10,262	\$4,100	\$5,306	\$750
Miscellaneous	\$1,627	\$1,452	\$22,972	\$109,071	\$10,460
Total Revenues	\$767,143	\$923,543	\$978,335	\$1,109,604	\$1,125,400
Salaries	(\$282,088)	(\$300,426)	(\$429,288)	(\$361,056)	(\$366,563)
Employee Fringe Benefits	(\$116,228)	(\$125,870)	(\$132,432)	(\$202,390)	(\$211,312)
Purchased Services	(\$230,918)	(\$241,894)	(\$450,437)	(\$146,843)	(\$88,718)
Supplies&Materials	(\$44,253)	(\$64,116)	(\$81,534)	(\$169,510)	(\$164,632)
Other	(\$46,705)	(\$9,859)	(\$14,143)	(\$438)	\$0
Capital Outlay	(\$70,000)	(\$24,574)	(\$60,000)	(\$20,709)	(\$223,502)
Total Expenses	(\$790,193)	(\$766,740)	(\$1,167,834)	(\$900,947)	(\$1,054,726)
Net Cash Flow	(\$23,050)	\$156,803	(\$189,499)	\$208,657	\$70,674
Statistics					
Employee Cost % Revenues	51.9%	46.2%	57.4%	50.8%	51.3%
Change in Revenues		20.4%	5.9%	13.4%	1.4%
Change in Salaries		6.5%	42.9%	-15.9%	1.5%
Change in Employee Benefits		8.3%	5.2%	52.8%	4.4%
2191-Fire Services	2005	2006	2007	2008	2009
Property & Other Taxes	\$4,454,201	\$4,703,265	\$4,905,472	\$5,306,675	\$5,769,150
Intergovernmental	\$568,531	\$543,897	\$572,274	\$390,756	\$84,794
Charges for Services	\$0	\$0	\$0	\$109,648	\$135,646
Licenses, Permits and Fees	\$0	\$0	\$0	\$20,224	\$7,106
Other Financing Sources	\$0	\$0	\$0	\$27,200	\$0
Miscellaneous	\$120,153	\$134,129	\$202,978	\$75,614	\$68,477
Total Revenues	\$5,142,885	\$5,381,292	\$5,680,723	\$5,930,117	\$6,065,172
Salaries	(\$2,445,851)	(\$2,769,637)	(\$2,990,522)	(\$3,288,141)	(\$3,554,917)
Employee Fringe Benefits	(\$1,509,827)	(\$1,663,851)	(\$1,950,834)	(\$1,996,885)	(\$2,148,467)
Purchased Services	(\$93,109)	(\$207,688)	(\$256,956)	(\$423,444)	(\$570,781)
Supplies&Materials	(\$153,260)	(\$175,463)	(\$179,738)	(\$248,174)	(\$196,086)
Other	(\$297,886)	(\$163,214)	(\$123,059)	(\$14,004)	(\$6,848)
Capital Outlay	(\$408,226)	(\$284,140)	(\$165,319)	(\$853,420)	(\$129,555)
Total Expense	(\$4,908,158)	(\$5,263,994)	(\$5,666,428)	(\$6,824,067)	(\$6,606,655)
Net Cash Flow	\$234,727	\$117,298	\$14,296	(\$893,950)	(\$541,483)
Statistics					
Employee Cost % Revenues	76.9%	82.4%	87.0%	89.1%	94.0%
Change in Revenues		4.6%	5.6%	4.4%	2.3%
Change in Employee Costs		12.1%	11.5%	7.0%	7.9%
Change in Salaries		13.2%	8.0%	10.0%	8.1%
Change in Employee Benefits		10.2%	17.2%	2.4%	7.6%

Employee Costs

Employee costs must be managed in every township department. Scheduling personnel to minimize over time costs is absolutely necessary. Benefits management is also a must.

Retirement Costs

All full-time and part-time non-uniformed employees, elected officials and zoning board members are in the Ohio Public Employees' Retirement System, OPERS. They pay Medicare taxes but are exempt from social security taxes.

The contribution rates are 10% of wages for the employee and 14% for the employer. The township pays 100% for the employee contribution for full-time employees and some part-time employees. The township pays the employer contribution for all employees. Elected officials, zoning board members, the fire department medical advisor and part-time park employees pay the 10% employee contribution from their wages. The township contributed \$278,519 to OPERS in 2009.

Uniformed fire employees are in the Ohio Police & Fire Pension System. The contribution rates are 10% for employees and 24% for the employer. The township pays 100% of both the employee and employer contribution. The township's annual payments to OP&FPS in 2009 were \$964,869.

Recommendation

Employees should pay the employee contribution at least to the same percentage as the social security rate of 6.2%.

Insurance Benefits

Full-time township employees, elected officials and the fire department medical advisor are provided health, dental, vision, life and short-term disability insurance. The monthly employee contribution for all insurance is \$15 for single coverage and \$25 for all other coverage.

Health Insurance

The township's health insurance program pays 100% of covered charges.

Prior to April 1, 2008, the health insurance had zero dollar deductible. Co-pays were the only employee out-of-pocket expense.

On April 1, 2008, the township adopted an insurance policy having deductible amounts of \$2,000 for single coverage and \$4,000 for all other coverage and eliminated co-pays. The township implemented a self-insurance program to cover the deductible amounts using a Health Savings Account (HSA) and a Health Reimbursement Account (HRA). Employees have no out-of-pocket costs for covered procedures.

The township funded the deductible by contributing \$1,100/\$2,200 to each employee's HSA account. The employee would use this money to pay the first \$1,100/\$2,200 of covered medical expenses. If the employee's expenses were less than these amounts, the employee keeps the money. When expenses exceeded the HSA amounts, employees were reimbursed by those amounts.

On April 1, 2009 the township increased the self-insurance amounts to \$2,500/\$5,000 and the HSA contributions to \$1,200/\$2,400.

The Table 2 summarizes the township's health costs.

	2007	2008	2009
Monthly Premiums			
Single	\$ 482.46	\$ 309.60	\$ 295.90
Couple	\$ 1,060.43	\$ 680.50	\$ 650.38
Family	\$ 1,489.39	\$ 955.17	\$ 913.46
Employee Costs	Co-pays	\$ 0.00	\$ 0.00
Total Premium Cost	\$ 1,070,000	\$ 709,925	\$ 664,407
Self-insurance Cost	\$ 0	\$ 190,905	\$ 281,984
Total Cost	\$ 1,070,000	\$ 900,830	\$ 946,391

Recommendation

Township employee contributions to their health care costs are not sufficient. Therefore:

1. The monthly contribution to the insurance premium should be raised to at least \$45 family, \$35 couple and \$25 single.
2. The employees should pay a portion of the deductible. The township should reduce the contribution to the HSA accounts by \$400 single and \$800 other.
3. Employees should pay a portion of increases to premium costs since premiums are based on the claims the employee group makes.

These changes are a moderate cost increase to employees, but are still below the contributions by employees in the private sector.

Other Insurances

The township provides life, dental, vision and short-term disability. The 2009 monthly premiums for these policies are shown in Table 3.

Table 3: Monthly Premiums				
Life Insurance benefits of \$35,000 2009 premiums were \$7,995.				
Employee	\$8.05			
Dependent	\$1.52			
Disability insurance premiums which vary by income are \$15-\$34 per month. Maximum benefit is \$750/wk. Benefit starts before paid leaves are use. In 2009 the total premium was \$19,968. Eight employees made claims for \$48,204.				
	Family	Couple	Single	2009 Cost
Dental	\$96.00	\$50.50	\$26.75	\$71,476
Vision	\$16.65	\$16.65	\$16.65	\$16,183

The township's only costs are the premiums.

Recommendation

The short-term disability policy must be canceled.

Unfunded Liabilities

The township has potentially significant unfunded employee costs. These liabilities include sick leave, vacation and overtime or comp time¹.

Table 4: Current balances

Balance	Hours	Cost
Sick Leave	94,632	\$1,893,000
Vacation	8,002	\$169,000
Comp Time	4,619	\$92,000

Vacation and comp time are liabilities that will be eventually paid. The amount of sick leave to be paid out is uncertain; however, if the \$238,000 paid in 2009 is typical the amount could be significant.

The township has policies that provide for payout of sick time and holiday time that are not used. Sick time payout is not significant; however, unused holiday time is. Uniformed fire employees can be paid for 80 hours of unused holiday time. In 2009, the cost was \$53,405.

Recommendation

1. A reserve fund as provided by Ohio law should be established for these costs.
2. Holiday hours must be used.
3. Overtime must be reduced by better managing employee schedules and staffing.

¹ Employees can choose to be paid for overtime or receive one and a half hours of future time off for each hour of overtime worked.