

TOWNSHIP GOVERNMENT BUDGET STUDY

November 20, 2008

INTRODUCTION:

After reviewing the Johnson County certified tax rates for 2007/2008, it was noted that there was a wide variation in the tax rates for the nine townships. That tax rate ranged from zero to \$0.0157 per \$100 assessed value. The zero tax rate for Union Township was most influential in proposing the question; "How can they do what a Township is expected to do with no revenue?" The answer to that question, and the general question of Township government efficiency, was addressed by a review of the certified budgets for 2008 for each Township. These were received from the county Auditors office, except for Nineveh Township, which had not completed their budgeting process at the time of this study.

A follow up analysis was performed on the 2008/2009 budgets when they became available. This data was used to compare against the previous year. Percent changes in total budget, expenditures for primary objectives, and wages and benefits were derived for each township

PURPOSE OF TOWNSHIP GOVERNMENT:

The web site maintained by the White River Township Trustee suggests that the principle task of the township is to, 1) maintain abandon cemeteries and, 2) administer financial assistance to those in need. In some cases the township provides fire protection, and in this study these expenses have been omitted.

ANALYSIS METHODOLOGY:

Three methods were used to evaluate township budgets:

- 1) An overall government efficiency (in percent) was defined based on the ratio of the dollars spent for the two primary objectives of cemetery care and assistance, to the total budget.
- 2) The percentage of wages and benefits associated with the administration of the township government's primary objectives were compared to the total budget in the same manner as (a).
- 3) The direct assistance standards for each township were established. This was defined as the dollars to be spent per person with an income below 50% of the poverty line.

This study does not have sufficient information to evaluate in more detail the standards of cemetery maintenance. This would require data relative to number and size of such land for each township.

TOWNSHIP GOVERNMENT EFFICIENCY:

Figure 1 presents a summary of township government efficiencies (ratio of expenditures for primary objectives to total budget) calculated from data available in the respective budgets. The 2008 budget efficiencies range from 59.2% for Blue River Township to 17.2% for White River Township. In 2009, the White River Township efficiency falls to 12.4% as a result of a 4.2% rise in total budget and a decline of 25% in primary objectives spending.

A low efficiency number occurs when a small amount of the total budget is being directed towards the primary objectives of that governmental system. On a total county basis, the money spent on the primary objectives with respect to the total budget is 31.6% for 2008 and 31.2% for 2009. That means that only about one third of the tax dollars collected by all townships in the county is scheduled to be spent on cemetery maintenance and help to the needy.

Numbers in red are maximums, and in blue they are minimums.

FIGURE 1
TOWNSHIP GOVERNMENT EFFICIENCY

TOWNSHIP	BUDGET TOTAL		CEMETERY CARE		DIRECT ASSISTANCE		EFFICIENCY	
	2008	2009	2008	2009	2008	2009	2008	2009
White River	\$388,580	\$404,780	\$35,000	\$15,000	\$32,000	\$35,000	17.2%	12.4%
Pleasant	\$335,135	\$344,584	\$1,500	\$1500	\$99,000	\$104,000	30.0%	30.8%
Franklin	\$316,743	\$333,703	\$0	\$0	\$127,000	\$130,000	40.1%	39.0%
Union	\$122,510	\$90,000	\$8,000	\$7500	\$24,000	\$22,140	26.1%	32.9%
Blue River	\$104,650	\$105,950	\$12,000	\$13,000	\$50,000	\$50,000	59.2%	59.5%
Needham	\$50,791	\$52,051	\$2,000	\$2,000	\$24,050	\$24,550	51.3%	51.0%
Hensley	\$39,785	\$30,785	\$1,700	\$1,700	\$13,400	\$13,400	38.0%	49.0%
Clark	\$33,250	\$30,853	\$4,000	\$4,000	\$5,500	\$9,500	28.6%	43.8%
Nineveh	?	\$35,291	?	\$2,000	?	\$10,000		34.0%
TOTAL	\$1,391,444	\$1,427,997	\$64,200	\$46,700	\$374,950	\$398,590	31.6%	31.2%

SALARY, WAGES, AND BENEFITS:

There are two ways to evaluate what the budgets contain in the way of expenses for wages, salary, and benefits:

- a) The percentage of the total budget allocated for wages and benefits
- b) The relative magnitude of dollars allocated for wages and benefits

One does not get a true perspective on the relative magnitude of the dollars spent by each township for wages and benefits when just a percentage is considered. If one focuses on the absolute value of the numbers in the table, one detects the wide variation in political position pay scales between the township, and the variation in the number of auxiliary position established in each township. Therefore, the reader is encouraged to look primarily at the relative magnitudes of dollars spent by the townships on wages and benefits in Figure 2.

Because White River Township is a primary concern, the budget numbers for 2009 are shown in parentheses below the 2008 numbers.

Numbers in red are maximums and in blue they are minimums.

**FIGURE 2
SALARY, WAGES, AND BENEFITS (2008)**

TOWNSHP	BUDGET TOTAL	TRUSTEE	BOARD	1ST DEPUTY ASS. TRUSTEE	INVESTI- GATOR	CLERK	CASE WORKER	EMPLOYEE BENEFITS	TOTAL WAGE & BENEFITS	WAGE RATIO
White River	\$388,580 (\$404,780)	\$37,080 (\$37080)	\$7,200 (\$7200)		\$4,000 (\$5,000)	(2) \$32,000 (3) \$37,000		\$6,300 (\$7,000)	\$86,580 (\$98,280)	22.3% (24.3%)
Pleasant	\$335,135	\$37,392	\$3,000		\$8,400	(2) \$32,000	\$30,000	\$39,791	\$150,583	45.0%
Franklin	\$316,743	\$22,248	\$1,500	(3) \$46,000	\$10,200			\$20,475	\$100,423	31.7%
Union	\$122,510	\$4,500	\$1,500		\$500	(2) \$1,560		\$1,000	\$9,060	7.4%
Blue River	\$104,650	\$11,830	\$1,050		\$3,500	(2) \$4,800		\$1,820	\$23,000	22.0%
Needham	\$50,791	\$8,249	\$1,335	\$1,953		\$2,959		\$1,120	\$15,616	30.7%
Hensley	\$39,785	\$4,200	\$825		\$1,100	(2) \$2,500		\$670	\$9,295	23.4%
Clark	\$33,250	\$6,100	\$1,200		\$800	(2) \$1,400		\$735	\$10,235	31.0%
Nineveh										
TOTAL	\$1,391,444								\$404,792	29.1%

The second method of evaluation is shown in Figure 3 where total wage and benefits is shown as a percentage of the dollars allocated for the primary objectives of the governmental body. Here one sees that there is a large percentage for labor cost in relation to dollars allocated for the primary objective. The percentage for Pleasant Township of 149.8% indicates that more money (approximately 50% more) is being spent on labor than on the primary objectives. White River township with 129.2%, and Clark township with 107.7% , also spend more on labor than on the primary objectives. Union township is the most labor efficient of the townships where only 28.3% of the dollars spent on primary objectives is spent on wages and benefits.

Figures for White River Township are shown in parentheses below the 2008 numbers. Notice that in 2009, this township will spend almost twice as much on wages and benefits as on its primary objectives.

FIGURE 3
LABOR COST PERCENTAGE (2008)

TOWNSHIP	TOTAL WAGE & BENEFITS	CEMETERY CARE AND DIRECT ASSISTANCE	PERCENTAGE
White River	\$86,580 (\$98,280)	\$67,000 (\$50,000)	129.2% (196.6%)
Pleasant	\$150,583	\$100,500	149.8%
Franklin	\$100,423	\$127,000	79.1%
Union	\$9,060	\$32,000	28.3%
Blue River	\$23,000	\$62,000	37.1%
Needham	\$15,616	\$26,050	59.9%
Hensley	\$9,295	\$15,100	61.6%
Clark	\$10,235	\$9,500	107.7%
Nineveh	?		
TOTAL		\$439,150	

DIRECT ASSISTANT STANDARDS:

If one considers that each citizen of a township having an income that is less than 50% of the poverty level is eligible to receive financial assistance from the township, a dollar amount per person allocated for that purpose can be calculate for each township. Those numbers are contained in Figure 4, and can be implied to be the standards of that township for financial assistance to the needy. The range extends from \$60 per person eligible in White River Township, to \$369 per person in Union Township.

Figures for White River Township in 2009 are shown in parentheses below the 2008 numbers. Although there is a slight increase in the 2009 direct assistance peer person, it remains below that of other townships.

FIGURE 4
DIRECT ASSISTANCE STANDARDS (2008)

TOWNSHIP	DIRECT ASSISTANCE BUDGET	2,000 POPULATION	PERCENT BELOW 50% POVERTY	POPULATION BELOW 50% POVERTY	DIRECT ASSISTANCE PER PERSON
White River	\$32,000 (\$35,000)	35,539	1.5%	533	\$60 (\$65.7)
Pleasant	\$99,000	39,901	2.7%	1077	\$92
Franklin	\$127,000	18,752	2.5%	469	\$270
Union	\$24,000	2,226	2.9%	65	\$369
Blue River	\$50,000	5,189	4.3%	223	\$224
Needham	\$24,050	4,725	2.7%	128	\$188
Hensley	\$13,400	3,002	3.7%	111	\$121
Clark	\$5,500	1,900	1.8%	35	\$157
Nineveh	?				
TOTAL	\$374,950			2641	\$142

COMPARISON BETWEEN BUDGETS 2008 AND 2009:

Figure 5 contains percentage changes from 2008 to 2009. There are three areas of change considered; 1) the total budget, 2) the amount for primary objectives of township government, and 3) the amount for wages and benefits. There is no change data for Nineveh townships because the 2008 budget was not available. Data shown in red are where significant changes have occurred. These may be either an improvement or decline depending on the parameter.

FIGURE 5
2009 INCREASE OVER 2008

TOWNSHIP	2009 BUDGET INCREASE	2009 SERVICES INCREASE	2009 WAGES & BENEFITS INCREASE
White River	4.2%	-25%	13.5%
Pleasant	2.7%	5.7%	-3.4%
Franklin	5.4%	2.0%	11.3%
Union	-26.5%	-7.4%	17.1%
Blue River	1.2%	1.6%	0.0%
Needham	2.5%	1.9%	4.9%
Hensley	-22.6%	0.0%	0.0%
Clark	-6.9%	42.0%	4.2%
Nineveh			

CONCLUSIONS AND OBSERVATIONS:

The following are conclusions and observations made during the review of the township budgets. There are two groups. The first are derived by consideration of the variations associated with a single budget year. In this case, that is 2007/2008. The second group is derived from consideration of the variations that occur when comparing two sequential budget years (2008 and 2009).

SINGLE BUDGET YEAR 2008:

- 1) Union Township is able to levy a zero tax rate because of cash on hand that is nearly (within \$10,127) the budget total. There is no information on where that cash was derived. This is the second consecutive year for a zero tax rate.
- 2) Union Township has allocated capital outlay of \$30,000 for land and \$25,000 for building. This is 172% of the expenditure for primary objectives.
- 3) White River Township has allocated \$175,000 for a capital outlay for machinery and equipment. Also, they have allocated \$10,000 for Fourth of July celebration (the only township to do so). The total of these two items is 48% of the budget!
- 4) Franklin Township has allocated \$10,000 for a capital outlay of computers. This is an average expense of \$1400 per employee. That would have to include a lot of software!
- 5) Pleasant Township has a total of eight employees! This includes the trustee and three board members. Franklin Township has seven employees. Franklin has about one half the population of Pleasant Township.
- 6) The level of wages and benefits for Pleasant Township is markedly high. At \$150,583, it is 45.0% of the total township budget!
- 7) Hensley Township has passed a resolution to reduce Poor Relief appropriations for the 2007 budget by \$5,000 in order to fund the 2008 budget.
- 8) Blue River Township is the most efficient township with nearly 60% of its budget scheduled for cemetery care and direct assistance for the needy.
- 9) All townships report income from interest. This ranges from \$7,000 for Franklin to \$20 for Blue River. There are no financial annual statements made by the townships. It is therefore not possible to define the magnitude of each townships capital assets. Pleasant Township reports \$4,000 of interest, and \$21,000 as income from rent. The township must own valuable real estate capable of generating an income of this level.
- 10) White River Township makes a total contribution of \$4,200 to "Fast Track" and "Partnership for Healthier Johnson County". It is the only township to make contributions to other organizations.
- 11) The Bantam Football field in White River Township was expected to generate rental revenue for the township. The 2008 budget does not contain a line item of this expected income.

COMPARISON BETWEEN 2008 AND 2009:

- 1) Clark Township has substantially increased its spending level of primary services (up 42%), while decreasing its total budget by - 6.9%. At the same time wages and benefits went up 4.2%
- 2) Union Township has had a significant budget reduction of 26.5%. This has been accomplished by reducing funds invested in capital outlays. However, this has overshadowed the fact that services were reduced by 7.4%, while wages and benefits rose by 17.1%. The Trustees salary rose 11% and that of the Board members rose 50%.
- 3) Hensley Township has demonstrated a true "belt tightening" approach to budget control by decreasing its budget 22.6%. Most of this is from reducing capital outlay. Its government efficiency has improved from 38% to 49%.
- 4) Franklin Township has the largest budget increase of 5.4%. Services increased by a modest 2.4%, while wages and benefits increased by 11%. That increase is centered on the three 1st deputy assistant trustees, who will receive a pay increase of 19.6%! Employee benefits will be increased 11.5%. The taxpayers in this township are being abused.
- 5) White River Township does not report any income from the rental of the Bantam Football Field as was expected to be a source of revenue.
- 6) The White River Township budget will increase by 4.2%, while primary objective expenditure will decrease by 25%. Total wages and benefits will increase 13.5%, as a result of adding a deputy trustee, a part time clerk, and a 25% increase for an investigator.
- 7) The government efficiency of White River Township, which was the lowest of the eight townships in 2008 for which budget data was available, drops from 17.2% to 12.4% in 2009.
- 8) The White River Township tax rate will increase by 17% in 2009, while primary objective services will decrease by 25%.
- 9) In White River Township, a 2009 expenditure of \$160,000 is planned for "machinery and equipment". In 2008, this budget account had \$175,000. Over a two year period, this is a total of \$335,000, or 42% of the budget total. There is evidence to suggest this money is allocated for maintenance and repair of the old school administration building, although not confirmed. If this is the case, the merits of occupying that building should be questioned, especially with a low occupancy factor and no rental income from unused space.

SAVINGS FROM EFFICIENCY:

Assume that a unification of township responsibilities could be achieved at the county level of government. Assume also that that element of government could operate at 60% efficiency (Blue River township operates at that level now). If that unified governmental element spent the same amount in 2008 as all the townships for cemetery care and financial assistance to the needy (\$439,150), it would require a budget of \$731,917. The savings to the tax payers would be **\$659,527** which is **47%** of current revenues to the townships. These calculations are based on only the eight of the nine townships whose 2008 budgets were available at the time of this study. If the 2009 budget numbers are used where all nine townships expenditure are known, the savings would be **48%!**