

OMAC MuniNews

Volume 10, Issue 3

News & Views About the Ohio Municipal Finance Industry

August 2008

This newsletter is available on our website: www.ohiomac.com

Operating Levy and Capital Referenda Election Trends: Recent Cycles Approximate 5 Year Averages, but Future Cycles Could Face Increasing Failures Due to Economic Conditions

www.moody.com

Most districts rely on local property taxes for a majority of their operating revenues. While this is not uncommon for school districts throughout the country, Ohio school districts typically cannot leverage the majority of any property value appreciation and must rely on voter-approved operating millage for revenue growth. The only growth that district's experience on local real estate taxes comes from a small portion of unvoted millage allocated by the County government known as "inside millage". The remaining operating millage, or "voted millage", is reduced so that a school district only collects the amount of money originally approved by voters. This creates a situation where inflationary increases in a district's expenditures will typically surpass a district's annual operating revenues at some point, leading to the need to either decrease expenditures or seek approval for new revenues. School districts in Ohio have a variety of operating levy options which include property taxes and income taxes, with property taxes being much more common as only 170 of the state's 614 school districts had an income tax levy in place as of January 2008. Income taxes, in addition to diversifying revenue sources, provide the benefit of potentially gaining inflationary growth as long as a district's income base is growing, somewhat reducing the need to return to voters as frequently for additional revenues.

Approval rates over the two most recent election cycles, March 2008 and November 2007, have approximated the 5 year averages for operating questions with approximately half of all levy questions being approved by voters. Broadly speaking, the challenge faced by district in gaining voter support for operating revenues is not worsening to date. Not surprisingly, new ballot issues (non-renewals) have seen lower passage levels than renewals of existing levies. In March 2008, only 23% of new property tax levies (10 out of 43) were approved by voters and 25% (3 out of 12) of new income tax questions passed. In November 2007, approval rates were similar with 33% (14 out of 42) of property tax levies passing and only 5.6% (1 out of 18) of income tax levies passing. When accounting for renewals, nearly half (49.5%) of all operating levies were approved in March 2008 with a slightly higher rate (54%) passing in November 2007. These rates slightly exceeded the five year average (48.5%) passage rate. While sector wide rates remain relatively consistent with historical experience, particular voter trends vary greatly from district to district.

Approximately one-third of new bond referenda were approved by voters in the past two election cycles with bonds tied to the Ohio State Facilities Commission (OSFC) enjoying slightly higher approval margins. Voters approved 35% of OSFC building assistance bond referenda in March 2008 and 42.8% in November 2007, while non-OSFC referenda experienced 33% approval margins in both elections. Though bond elections do not directly affect credit quality to the degree that operating levies do, Moody's notes that districts facing capacity issues or those dealing with aging facilities with increasing maintenance costs may face budgetary pressures should timely approval of bond issues not occur.

Moody's will continue to closely monitor election trends, as national and local economic conditions coupled with challenges in regional housing markets could lead to increasing levy and bond referenda failure rates. These concerns place an increasing emphasis on our analysis of individual school district's approach to levy elections and contingency planning for possible defeats. If school districts face challenges in gaining voter approval for operating levies and especially in renewing existing levies, credit quality of the affected districts could deteriorate rapidly if the districts' financial health declines.

School District Operating and Bond Election Results

Election Period	February-07	May-07	August-07	November-07	March-08	5 Year History
Total Operating Levy Questions	17	105	11	115	102	1624
Passed %	17.7%	56.2%	27.2%	53.9%	50.0%	48.5%
Failed %	82.3%	43.8%	72.8%	46.1%	50.0%	51.5%
Total Capital Questions	12	50	8	73	52	690
Passed %	50%	54%	0%	57.5%	38.5%	53.8%
Failed %	50%	46%	100%	42.5%	61.5%	46.2%

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2008 August Special Election Results

Voters approved 29% of Ohio's school district levies in the August 5, 2008 election. Of the twenty-eight (28) school district tax levies on the ballot, eight (8) were approved while twenty (20) were defeated.

Of the fifteen (15) bond issues on the ballot, school districts represented all issues with fifteen (15), one issue was withdrawn. Of these, five (5) were considered large - \$10,000,000 or greater, five (5) were considered intermediate - \$5,000,000 to \$9,999,999 and five (5) were considered small – less than \$5,000,000. Voters approved five (5) or \$31,136,078 while rejecting nine (9) or \$96,195,000.

The following tables show the results of the bond issues and school tax levies submitted at the August 5, 2008 election. The results were compiled with the assistance of the County Boards of Election, and the office of the Secretary of State.

Bond Issues

The following table compares this years results with those of the past four years.

YEAR	VOLUME SUBMITTED	VOLUME APPROVED	PCT. APP.	NUMBER SUBMITTED	NUMBER APPROVED	PCT. APP.
2008	\$160,931,078	\$31,136,078	19.3%	15	5	33.5%
2007	107,460,000	0	0.0	5	0	0.0
2006	78,545,000	14,600,000	18.6	7	2	28.6
2005	173,671,000	70,885,000	40.8	11	2	18.2
2004	120,082,978	0	0.0	8	0	0.0

The second table shows by issue size, the volume and number of each submitted, and the volume and number of each approved (including ratio approved).

Issue Size	-----SUBMITTED-----		-----APPROVED-----			
	Volume	No.	Volume	% Vol.	No.	% No.
Large	\$106,370,386	5	\$0	0.0%	0	0.0%
Intermediate	38,316,979	5	24,489,887	63.9	3	60.0
Small	16,243,713	5	6,646,191	40.9	2	40.0
TOTAL	\$160,931,078	15	\$31,136,078	19.3%	5	33.3%

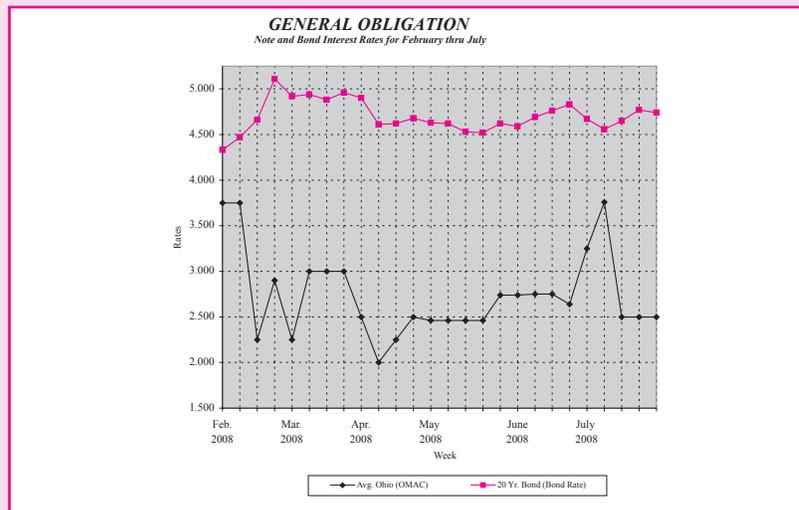
*Large - \$10,000,000 or greater; Intermediate - \$5,000,000 to \$9,999,999; Small - less \$5,000,000

MARKET UPDATE

GENERAL OBLIGATION

Note and Bond Interest Rates for February through July 2008

The following graph compares Ohio short-term note rates with the Bond Buyer's 20 year bond index. The short-term rates represent actual rates reported to OMAC by Ohio purchasers and reported on OMAC's weekly calendar.



The third table show by subdivision classification, the volume and number of issues approved

	-----VOLUME-----			-----NUMBER-----		
	Submitted	Approved	% App.	Submitted	Approved	% App.
County	\$0	\$0	0.0%	0	0	0.0%
Municipality	0	0	0.0%	0	0	0.0%
Township	0	0	0.0%	0	0	0.0%
School District	160,931,078	31,136,078	19.3%	15	5	33.3
TOTAL	\$160,931,078	\$31,136,078	19.3%	15	5	33.3%

The fourth table shows further breakdown of the volume and number of issues approved for school districts.

	-----VOLUME-----			-----NUMBER-----		
	Submitted	Approved	% App.	Submitted	Approved	% App.
City	\$0	\$0	0.0%	0	0	0.0%
Local	160,931,078	31,136,078	19.3	15	5	33.3
Jt. Voc.	0	0	0.0	0	0	0.0
TOTAL	\$ 160,931,078	\$ 31,136,078	19.3%	15	5	33.3%

School District Tax Levies

The first table shows the total new millage levies submitted (number and volume), and also the results thereof.

Type	---Submitted---		-----Approved-----				-----Defeated-----			
	No.	Millage	No.	Pct.	Millage	Pct.	No.	Pct.	Millage	Pct.
Current Expense*	5	29.20	1	20.0	5.56	19.0	4	80.0	23.64	81.0
Emergency	7	40.32	1	14.3	3.72	9.2	6	85.7	36.60	90.8
Permanent Improvement	12	12.50	3	25.0	1.50	12.0	8	66.7	10.50	84.0
TOTAL	24	82.02	5	20.8	10.78	13.1	18	75.0	70.74	86.2

*Includes Current Operating

The second table shows the total renewal millage levies submitted (number and volume), and also the results thereof.

Type	---Submitted---		-----Approved-----				-----Defeated-----			
	No.	Millage	No.	Pct.	Millage	Pct.	No.	Pct.	Millage	Pct.
Emergency	4	17.15	2	50.0	8.50	49.6	2	50.0	8.65	50.4
Permanent Improvement	1	4.75	1	100.0	4.75	100.0	0	0.0	0.00	0.0
TOTAL	5	21.90	3	60.0	13.25	60.5	2	40.0	8.65	39.5

The third table gives a three year comparison (General Elections) by levy type, the total new millage submitted and approved, with the ratio approved.

	-----2008-----			-----2007-----			-----2006-----		
	Subm.	App.	% App.	Subm.	App.	% App.	Subm.	App.	% App.
Current Expense*	29.20	5.56	19.0	18.85	0.00	0.0	42.85	19.65	45.9
Permanent Improvement	12.50	1.50	12.0	5.55	0.00	0.0	1.50	1.00	66.7
Emergency	40.32	3.72	9.2	31.29	6.41	20.5	82.23	12.90	15.7
TOTAL	82.02	10.78	13.1	55.69	6.41	868.8	126.58	33.55	26.5

* Includes Current Operating



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CALENDAR

Calendar of Issuer Conferences & Outings for 2008

NAME	EVENT	DATE	LOCATION
CAAO	Winter Conference	November 18 - 20	Embassy Suites - Dublin, Ohio
CCAO	Winter Conference Annual Golf Outing	Dec. 7 - 11 August 6	Hyatt Regency – Columbus, Ohio Oakhaven Golf Club – Delaware, Ohio
CTAO	Fall Meeting	November 18 – 20	Columbus Marriott NW, Blazer Pkwy – Dublin, Ohio
GFOA	Annual Fall Conference	September 17 - 19	Bertram Inn & Conference Center – Aurora, Ohio
MFOA (OML)	Annual Conference Northeast Ohio Golf Outing North-Central Ohio Golf Outing	October 1 - 3 July 30 September 10	The Columbus – A Renaissance Hotel - Columbus, Ohio Ridgewood Golf Club – Parma , Ohio Woussickett Golf Course – Sandusky, Ohio
OAPT	Annual Conference National Conference	October 8 – 10 August 9 - 13	Crown Plaza Hotel – Dublin, Ohio Amway Grand Plaza – Grand Rapids, Michigan
OPEC	Annual Meeting	September 16	Columbus Athletic Club – Columbus, Ohio
OSBA	Capital Conference	November 9 – 12	Columbus Convention Center – Columbus, Ohio
SIFMA (BMA)	Annual Meeting	October 28	Marriott Marquis Hotel – Manhattan, NY

CAAO – County Auditor’s Association of Ohio – (614) 228-2226
 CCAO – County Commissioners Association of Ohio – (614) 221-5627
 CTAO – County Treasurers Association of Ohio – (614) 233-6818
 GFOA – Government Finance Officers Association – (614) 221-1900
 MFOA – Municipal Finance Officers Association of Ohio – (614) 221-4349
 NACO – National Association of Counties – (614) 221-5627
 OAPT – Ohio Association of Public Treasurers – (216) 443-7814

OASBO – Ohio Association of School Business Officials – (614) 431-9116
 OMCA – Ohio Municipal Clerks Association – (614) 221-4349
 OPFOTP – Ohio Public Finance Officers Training Program – (330)
 OSBA – Ohio School Boards Association – (614) 540-4000
 SIFMA (formerly BMA) – Securities Industry & Financial Market Association – (212) 608- 1500

If you would like your event highlighted, contact Chris Scott at 1-800-969-6622, or by email at Chris@ohiomac.com