



July 2, 2024

Daniel Shackle, Commissioner
Department of Local Government Finance
100 N. Senate Avenue, Room N1058
Indianapolis, IN 46204

Via email to dshackle@Department.in.gov

***RE: Town of Sheridan/Adams Township
Reorganization Analysis***

Commissioner Shackle:

We sincerely appreciate the timely review by the Department of Local Government Finance (the “Department”) of the Fiscal Impact Analysis (the “Analysis”) submitted for Adams Township of Hamilton County (the “Township”) and the Town of Sheridan, Indiana (the “Town” and together with the Township, the “Reorganizing Subdivisions”). Our firm has been asked to submit these additional materials for your consideration and request that they be included with the materials posted on the Department’s website. As you are aware from our submittal dated June 20, 2024, the Reorganizing Subdivisions have finally adopted the Plan of Reorganization (the “Plan”), a full copy of which was forwarded to the Department as required by Ind. Code §36-1.5-4-24(2). The Department’s review of the Analysis (the “Review”) was received by the Reorganizing Subdivisions on June 18, 2024 and was posted on the Department’s website on that date. This letter responds to several matters raised in the Review.

On page 4 of the Review under “Reorganization Boundaries & New Service Districts” the Department concludes that “property taxes will be first due and payable for the Reorganized Town starting in 2026.” While it may not have been abundantly clear in the Analysis, it is very clearly stated in the Plan that the Old Town and the Township will prepare a joint budget and adopt tax rates and levies in fiscal year 2024 for collection in 2025 to fund operations of the Reorganized Town in the event the November 5, 2024 referendum (the “Referendum”) is approved, in addition to adopting their regular separate budgets:

The fiscal bodies of the Old Town and the Township shall adopt tax rates, tax levies, and a budget for the Reorganized Town for 2025 through the adoption of substantially identical resolutions by each of the fiscal bodies pursuant to Ind. Code §36-1.5-4-7. For budget years 2026 and following, budget, tax rates and levies shall be set for the rural and town districts by the town council of the Reorganized Town.¹

¹ See Plan, “Other Matters Considered – A. Finance,” Pages 9 and 10.

In addition, in accordance with the provisions of Ind. Code §36-1.5-3-5, the Reorganizing Subdivisions specified that “no reduction shall be made to maximum permissible property tax levies, maximum permissible property tax rates or budgets by the Department under Ind. Code §6-1.1-17 and Ind. Code §6-1.1-18.5 due to this Plan without express authorization from the Town Council of the Reorganized Town.” We trust these citations clarify the intention of the Reorganizing Subdivisions and the Department’s understanding of the planned alternative Reorganized Town budget process.

In addition, the Department’s Review stated that the Analysis did not indicate whether “the units will have an agreement for the pay 2025 budget and tax year regarding settlement distributions and transferring cash balances within and between funds.”² Again, while the Analysis may have not been abundantly clear on this issue, the Plan clearly provides as follows under “Disposition of Township Assets and Liabilities”:

In addition, and also as of the Effective Date, all assets and liabilities of the Township shall transfer to the Reorganized Town as a matter of law. As the Effective Date approaches, the Township Trustee and the Township Board shall take all necessary actions to cause the transfer of all assets and liabilities to the Reorganized Town of Sheridan.³

As noted in the Review, compliance regarding cash balance transfers is overseen by the State Board of Accounts (SBOA),⁴ and the Reorganizing Subdivisions will consult with the SBOA prior to the Effective Date in order to establish any agreements necessary to comply with cash balance transfers.

In response to the Department’s questions regarding the potential impact of an excess levy appeal for the area defined as the “Annexation Area,”⁵ we have been authorized to represent to the Department that if the proposed reorganization is successful, the Reorganized Town has no intention of filing an excess levy appeal related to the Annexation Area. In the event the proposed reorganization is not approved in the Referendum, the Town reserves the right to file such an excess levy appeal related to the Annexation Area.

With respect to the Review comments regarding road funding,⁶ the Department correctly assessed that Hamilton County is unlikely to work with the Reorganizing Subdivisions to enter into an interlocal agreement regarding road funding. The Review states that “the analysis projected additional costs for road improvements and maintenance; however, aside from a levy increase, the analysis did not provide an additional source of revenues that would be used to cover the additional costs.”⁷ The Analysis did provide the estimated impact of additional road maintenance costs and estimated that a Motor Vehicle Highway Fund property tax levy throughout the Reorganized Town in the amount of \$0.08 per \$100 of assessed value would meet that need, subject to actual cash balances.⁸

² See Review, Page 4 at footnote 6.

³ See Plan, Page 8.

⁴ See Review at footnote 6.

⁵ See Analysis, Page 4 and Review, Page 5 at Footnote 11.

⁶ See Review, Page 5 and 6.

⁷ See Review at footnote 15.

⁸ See Analysis, Page 17 and Appendix G.

In addition, while the Plan referenced that additional costs for road maintenance will be covered by increased Motor Vehicle Highway and Local Road and Street revenues in the Reorganized Town,⁹ specific calculations of these anticipated revenues were not included in the Analysis. Attached as Appendix A is further discussion and calculations performed by the Reorganizing Subdivision's Financial Advisor showing the anticipated increase in road funding from these funds if the Reorganized Town is approved in the Referendum, and illustrating the impact on other units in the County. Contrary to the materials submitted to the Department and the media by Hamilton County, Indiana (the "County"), the Plan is not dependent on successfully negotiating an interlocal agreement with the County.

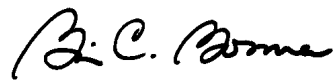
Hamilton County Submittals

The Reorganizing Subdivisions and their advisors and financial consultants strongly disagree with the assertions made by the County and attached to the Review under "Materials Submitted by: Hamilton County". These materials were submitted to the Reorganizing Subdivisions shortly after they were submitted to the Department. The County also offered these submittals and testimony at the public hearings regarding the County's assertions that the Analysis did not accurately depict the anticipated costs for the Reorganized Town. Counter arguments were offered by the Reorganizing Subdivision's Financial Advisor that indicated the Analysis accurately predicted the cost of services to be undertaken by the Reorganized Town. Following this testimony, the vote to approve the Plan and Analysis was unanimous by the Town Council and a 2 to 1 vote in favor by the Township Board. Rather than refuting the overstated projected costs contained in the County Materials, the Reorganizing Subdivisions are pleased to have the public reconcile these differing perspectives in the Referendum.

We are pleased to submit this supplemental information and request that you include this response with the materials posted online on the Department's website. We continue to be available for questions at any time.

Very truly yours,

KROGER, GARDIS & REGAS, LLP
Attorneys for the Town of Sheridan



Brian C. Bosma

cc: Elected Officials of Town of Sheridan, Indiana
and Adams Township of Hamilton County, Indiana
Jim Henderson, LWG CPAs & Advisors
Department Staff (via e-mail)

⁹ See Plan, Page 9.



Appendix A

July 2, 2024

To: Daniel Shackle, Commissioner
Indiana Department of Local Government Finance

From: Jim Higgins

RE: Summary of Additional Road Related Costs and Funding Sources Due to Proposed Plan of Reorganization – Town of Sheridan and Adams Township, Hamilton County

Please accept this memorandum along with the associated schedules to supplement our *Fiscal Impact Analysis – Report on the Proposed Reorganization of the Town of Sheridan and Adams Township, Hamilton County, Indiana – Dated May 3, 2024*.

Additional Cost/Funding – Additional 100 Miles of Road (Exhibit 1A and 1B):

As you will see on Exhibit 1A – we took the information provided by the Hamilton County Highway Department concerning the 2024 Road Costs which reflected their estimated cost of \$10,137 per mile to maintain the 548 miles of roads under their jurisdiction. This estimate essentially takes the 2024 departmental budget allocates that total over the County's road miles.

After review and consultation with the Sheridan Public Works Director, we made adjustments to eliminate duplicative or unnecessary costs that would not be applicable to the Reorganized Town of Sheridan. That reduced the estimated cost per mile to \$4,931 from \$10,137.

We did believe that the Reorganized Town would have some additional costs that would be necessary to maintain the additional 100 miles of roads that the Town would be responsible for through the reorganization. Those costs include 2 additional employees, benefits, and training and would require an additional \$145,650.

Furthermore, the Town estimates that it will need fully equipped trucks and a new salt barn at a total cost of \$375,000. These costs would be financed through a 5-year lease purchase agreement which would be paid for within the proposed Reorganized Town budget at an annual cost of \$85,422 (assuming a 4.5% interest rate).

This would bring the total estimated cost to the Reorganized Town to deal with the additional 100 miles of roads to \$724,172, compared to the \$1,013,700 estimated by Hamilton County (100 miles x \$10,137 per mile).

Exhibit 1B shows a summary of the calculated additional costs and how the additional funding sources (outlined in Exhibit B) are applied to the various items. The result is a need for an additional \$318,841 which would net after the application of anticipated miscellaneous revenues to an estimated property tax levy of \$299,711. That additional levy would result in an increased tax rate of \$0.0802 per \$100 of NAV (based on the 2024 combined NAV of the Town and Township) as included in the original Analysis as Appendix G.

At the bottom of Exhibit 1B, the various impacts of that additional levy on various homesteads and on per acre of farmland is illustrated. This information was publicly discussed at community wide informational meetings and weekly committee meetings and was posted on the Town and Township's websites.

Additional Funding Sources – Exhibit B

The four (4) primary sources for funding of the above referenced additional costs are (i) the additional Motor Vehicle Highway (“MVH”) funds and Local Road and Street distributions associated with the Reorganization; (ii) a portion of the additional Cumulative Capital Development Tax to be levied and (iii) an increased property tax levy. Exhibit B details the calculation of the additional MVH and LRS Distributions to be received as a result of the Reorganization.

Additional MVH Distribution to the Reorganized Town is based on the projected change in population. For this purpose, we based our analysis using the actual 2024 MVH distributions. The result is an estimated increase to the Reorganized Town of \$98,225.

Additional LRS Distributions to the Reorganized Town are based on the projected changes to both population (60%) and road miles maintained (40%). It was estimated that the population increase will be 68% (3,106 to 5,218) and the road miles maintained is increased 560.85% (17.83 miles to 117.83 miles). The result is an additional LRS distribution to the Reorganized Town of \$221,683.

Impact on Other Taxing Entities within the County – MVH and LRS Distribution – Exhibit C

The proposed Plan of Reorganization impacts the MVH and LRS of the Town of Sheridan and Hamilton County only. The Plan does not impact any other municipal jurisdictions' population or road miles maintained.

The MVH distributions provided to Counties are made up of three (3) weighted components - (i) equal share (5%); (ii) vehicle registrations (30%) and (iii) road miles (65%). The Plan of Reorganization does not affect the equal share or the vehicle registration calculations. However, the road mile component is impacted, and the result is an estimated reduction in the County's MVH distribution of \$390,807.53.

As for the LRS the calculation method is the same for the Town and County and the resulting change in population and road miles is a direct offset between the County and Town.

Accordingly, we project that Hamilton County's LRS distribution would decrease by \$221,683 as a result of the Reorganization.

I hope that this additional information provides some background and clarity on how the matter of additional maintenance costs and funding sources have been addressed. If you should have any questions or need additional information, please do not hesitate to contact me at (317) 777-7023 or jim.higgins@lwgcpa.com.

Attachments

Adams Township/Sheridan Reorganization
 Estimated Cost - Additional 100 Miles of Roads

Description	County		Adjusted
	2024	Adjustments	
	Estimate		
In House Maintenance	2,600,000	(2,600,000)	0
Contract Maintenance/Aggregates/Signs/Pipes, etc.	2,000,000	0	2,000,000
Highway Utilities/Fuel/Maintenance	650,000	0	650,000
Signal Maintenance	165,000	(130,000)	35,000
Office/Garage Supplies/Hardware/Software	50,000	(40,000)	10,000
Training/Seminars/per Diem/Memberships, etc.	25,000	(25,000)	0
Ongoing Tree Mitigation	25,000	(20,000)	5,000
Small Structure Inspection	40,000	(38,000)	2,000
Subtotal	5,555,000		2,702,000
Miles of Road (2024)	548		548
Cost per Mile	10,137		4,931

Additional Costs:		Amount	Annual Amount
Employees (2)			
Salaries	100,000		
Insurance	16,000		
PERF	12,000		
Taxes	7,650	135,650	
Training		10,000	
Total Additional Staffing		145,650	145,650
Equipment			
2 fully equipped Trucks (\$150,000 each)		300,000	68,338 (5 year lease @ 4.5%)
Salt Barn/Storage		75,000	17,084 (5 year lease @ 4.5%)
Road Maintenance (100x \$4,931/mile)		493,100	493,100
Estimated Total Additional Costs - Annually			724,172

Sources of Funding	
Additional State Distributions:	
MVH	49,113
MVH - Restricted	49,113
LRS	221,683
Additional Cumulative Capital Development Funds \$223,774,912 x \$.05/\$100 NAV)	111,887

Adams Township/Sheridan Reorganization
 Estimated Cost/Funding - Additional 100 Miles of Road

Exhibit 1B

Additional Costs:	Annual Amount	Additional Funding Applied				To Be Funded
		MVH	MVH/Res	LRS	CCD	
Staff Cost	145,650					145,650
Equipment	68,338				68,338	0
Salt Barn/Storage	17,084				17,084	0
Road Maintenance (100x \$5,000/mile)	<u>493,100</u>	<u>49,113</u>	<u>49,113</u>	<u>221,683</u>		<u>173,191</u>
Totals	<u>724,172</u>	<u>49,113</u>	<u>49,113</u>	<u>221,683</u>	<u>85,422</u>	<u>318,841</u>

Proposed MVH Rate:	
Estimated Need	318,841
Less Misc. Revenue	<u>(19,130)</u>
Levy Required	299,711
NAV	373,532,166
Estimated Additional Tax Rate	0.0802

Impacts				
		Homestead		Ag/Acre
GAV	100,000	250,000	300,000	1,900
NAV	33,800	131,300	163,800	1,900
Additional Impact	27.12	105.35	131.43	1.52

Adams Township/Sheridan Reorganization
Estimate of Additional MVH LRS Distributions

Exhibit B

	Town of Sheridan MVH	
	Current	Reorganization
Town of Sheridan	3,106	5,218.00
Total City/Town Population	3,995,083	3,997,195.00
Sheridan Allocation Factor	0.0777%	0.131%
Times: Available Funding (1)	186,046,453.84	186,046,453.84
Sheridan MVH Funding	144,642.87	242,867.91
Increase due to reorganization		98,225.04

(1) Per the State Comptroller's Office MVH and Local Road and Street Distributions for the months December 2022 to November 2023

	LRS Distributions	
	Town of Sheridan	County
Total LRS Distributions Allocated to Hamilton County (1)	9,666,529.00	9,666,529.00
60% Allocated on Basis of Population	5,799,917.00	5,799,917.00
40% Allocated on Basis of Road Population	3,866,612.00	3,866,612.00
Allocation of LRS Prior to Reorganization		
Current Share of Population Allocation	51,845.00	368,643.00
Current Share of Road Allocation	33,240.00	1,021,817.00
Total Allocation - Prior Reorganization	85,085.00	1,390,460.00
Estimated Allocation of LRS Post to Reorganization		
Sheridan Estimated Share of Population Allocation	87,099.00	333,389.00
Sheridan Estimated Share of Road Allocation	219,669.00	835,388.00
Total Allocation to Town of Sheridan - Post Reorganization	306,768.00	1,168,777.00
Estimated Increase in Population Allocation	35,254.00	(35,254.00)
Estimated Increase in Road Milage Allocation	186,429.00	(186,429.00)
Estimated Total Increase (Decrease)	221,683.00	(221,683.00)
Percentage Increase (Decrease)	260.54%	-15.94%

Adams Township/Sheridan Reorganization
Impact - County MHV Distribution

Exhibit C

	Hamilton County MVH	
	Current	Reorganization
Total Available Funding (1)	395,237,228.41	395,237,228.41
Hamilton County - Equally	5.00% 214,802.84	214,802.84
Hamilton County - Registrations	30.00% 6,131,467.32	6,131,467.32
Hamilton County Road Miles	65.00% 2,156,842.87	1,766,035.33
Total Allocated to Hamilton County	8,503,113.03	8,112,305.49
Estimated Reduction in Funding		(390,807.54)
Estimated Percentage Reduction in Funding		-4.60%

(1) Per the State Comptroller's Office MVH and Local Road and Street Distributions for the months December 2022 to November 2023

Calculation of Allocation Percentages

	Current	Reorganization
County Registrations	365,388	365,388
Total Registrations	7,065,924	7,065,924
Allocation Percentage	5.17%	5.17%
County Road	548.10	448.10
Total Road	65,284.86	65,184.86
Allocation Percentage	0.84%	0.69%