

HAMILTON COUNTY TAX LEVY REVIEW COMMITTEE
138 East Court Street
Room #603
Cincinnati, Ohio 45202

July 20, 2009

Hamilton County Board of Commissioners

Hon. David Pepper - President
Hon. Todd Portune - Vice President
Hon. Greg Hartmann
138 East Court Street
Room # 603
Cincinnati, Ohio 45202

Re: Cincinnati Museum Center Levy

Dear Honorable Board:

Report of the Hamilton County Tax Levy Review Committee Concerning the Levy Request of the Cincinnati Museum Center

Based on a request from Cincinnati Museum Center (CMC) the Tax Levy Review Committee (TLRC) conducted a review of CMC's proposal that the Hamilton County Commissioners place on the November, 2009 ballot a five year levy that would generate approximately \$38,011,181 in tax revenue. In the course of its review the TLRC appointed a subcommittee to analyze CMC's operations, engaged TATC consultants to conduct an operational review and engaged CR architecture and design to conduct a review of the CMC Master Plan study for renovation of the facility.

The subcommittee reviewing the CMC request consisted of Mr. Thomas Cooney (chair), Mr. Tim Molony and Mr. Dale Van Vyven. The subcommittee was provided excellent support by Lisa Webb of the Hamilton County Office of Budget and Strategic Initiatives.

As more fully described in the accompanying TATC report, CMC is a nonprofit organization that operates a Cincinnati history museum, a natural history museum and children's museum and Omnimax Theatre. In addition CMC conducts research, maintains collections and provides exhibits and educational programming for the general public. The CMC is located at the Cincinnati Union Terminal. CMC rents the facility on a 99 year lease for \$1 a year. The leasehold improvements made to the facility were funded in part by a \$45.7 million Hamilton County bond approved by voters in 1986. The

levy to fund the bonds expires in 2009. In addition to the bond levy, CMC receives the funds from a five year operating levy that expires in 2009

The CMC's original request to the TLRC was for a 20 year bond levy in the aggregate amount of approximately \$120,000,000. These proceeds were intended to be used to fund a bond issuance in the approximate amount of \$70,000,000 – 90,000,000. The bond proceeds were to be used to partially fund the Master Plan. It was estimated by CR Architecture and Design (see the enclosed report) that the total Master Plan cost would be approximately \$139 million. The balance of the required funds would be raised from the private sector, city, state and federal governments.

The intent of the Master Plan is to (1) address original design deficiencies that have allowed moisture penetration to occur in critical areas of the building; (2) replace building systems such as HVAC; (3) increase Museum Center revenues by restoring or renovating areas that were not addressed in previous restoration or were not fully utilized;(4) create energy and space efficiencies throughout the Museum.

CMC has amended its request so that the levy would be a five year operating levy in the approximate amount of \$38,011,181. The purpose of the levy funds would be to fund building operations and maintenance in the amount of approximately \$17,279,022 or about \$3,455,804 per year and capital expenditures in the amount of \$20,732,159 or about \$4,146,432 per year. The capital expenditures would be used to make repairs to the building envelope, replace a portion of the HVAC system, install a green roof, make entrance improvements and pay construction and engineering design fees. (See attached Exhibit).

In conducting our review the TLRC subcommittee toured the facility, reviewed various information submitted by the CMC, reviewed the aforementioned reports and consulted with their authors. In addition we conducted a public hearing and reviewed CMC's response to the consultant reports. We also reviewed the TLRC report on the 2004 levy as well as the TLRC mid-term report.

In conducting our hearings and reviewing the consultant reports we believe that CMC is efficiently managed and that there is merit to the Master plan to renovate the Cincinnati Union Terminal facility.

Among the findings in the 2004 TLRC report was the recommendation that CMC establish benchmarks to monitor its progress toward obtaining long term financial solvency. While CMC has made progress in its endowment it has not raised enough funds to be financially independent from the funds provided by the current operating levy.

The 2004 report also stated that “should a second 5-year levy supporting CMC be necessary, it should be limited to a renewal amount equal to the original millage, plus an amount not to exceed the rate of inflation during the term of the first levy”.

The Hamilton County tax levy inflation policy says, in part, "In no event should recommended increases in voted levy taxation exceed the rate of inflation for each replacement or renewal levy since it was last enacted".

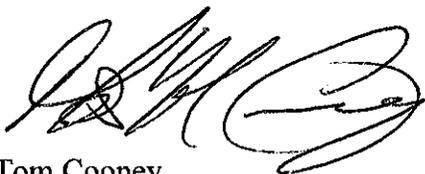
It is the conclusion of the TLRC that a renewal levy in excess of \$21,667,255 would not be consistent with either the recommendation of the 2004 TLRC report or the stated inflation policy of Hamilton County. If we confined our recommendation to only the existing levy renewal, it would be that the levy be renewed in the amount of \$18,823,965, the current funding level.

The Museum Center, and some members of the TLRC, believe that the inflation policy limitation should be imposed by combining the existing operating levy with the tax generated by the Museum bond debt which expires in 2009. By combining these two amounts the total inflation adjusted limitation would be \$38,011,181. This would amount to a total increase in nominal dollars of approximately 16.5 percent over the current amount of taxes generated by both levies. If the Commissioners believe that the CMC position is correct, and that an exception to the inflation policy is justified, we recommend that, consistent with other taxpayer funded services on the ballot, which provide critical social services and are receiving less than the maximum amounts, this levy should be limited to 100 percent of its 2009 budgeted revenue, or \$32,974,950 over the 5 year levy period.

As CMC has indicated it plans to divest himself from operating funds early on in the new levy and apply the difference to capital needs, we also recommend that the County work with CMC to help them continue to develop a long term financing plan for the remaining necessary improvements. We believe that other sources, such as private funds and federal, state and city sources should be explored before consideration is given for a new levy for capital renovation purposes in 2014. Moreover, a long term plan illustrating the long term financial viability of the CMC should be a part of any funding proposal.

In addition, we recommend that the County exercise its privilege under the existing contract with CMC and appoint a CMC board member who can represent the County's interest. We also recommend that the reporting requirements of the current contract be applied in the new contract. In addition, the contract should continue to include the provision prohibiting an operating levy renewal beyond the new five year Levy period.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tom Cooney', written in a cursive style.

Tom Cooney
Chairman, Cincinnati Museum Center Subcommittee
Hamilton County Tax Levy Review Committee