

Waite Hill Village

September 28, 2011

Memo to: Waite Hill Residents

Subject: Financial Planning and Budgeting Matters

Now that the State has pretty much solidified its financial strategy, we can now fairly accurately determine where we stand and what is in our future financially. The Finance Committee is developing a long range plan and will present it when they feel comfortable with it. In the meantime, I thought it would be appropriate to give you some very basic facts about Waite Hill's sources of revenue and its major expenditures.

We receive our annual revenue from three sources: property taxes (\$600,000), income from our Capital Improvement Fund (\$480,000), and the State's Local Government Fund (\$300,000). Other revenue is from court fines and permit fees and amounts to roughly \$12,000 per year. Against this, expenses are about \$1.5 million, of which \$800,000 is salaries and benefits. We normally have a loss or a surplus for each year of less than \$20,000, although in 2010 we greatly benefited from borrowing money to build the Village Hall on a 1-year note in anticipation of issuing bonds. Our interest rate was less than 1%, and we were able to invest the money at a 4% return. But that was just one year.

Looking into the future, property tax income is obviously directly related to the value of our homes. We have all taken a licking on that, but as home values hopefully increase, so will our real estate tax income, albeit only marginally.

The Capital Improvement Fund is basically our endowment fund. All money received from inheritance taxes goes into that fund where it is very conservatively invested (in accordance with State law) in government paper and some AAA corporate bonds. Our objective is to only spend the income from these funds, as is prudent in operating any endowment fund.

The Local Government Fund is more complex. Many decades ago, Ohio decided to move a small percent of its income from taxes, franchise fees, and almost every other revenue source into a fund that would be returned to local counties, municipalities, and townships to help the latter fund their operations. This funding allocation has been adjusted many times throughout the years. To help balance their present budget, as is required by the Ohio constitution, the State has reduced by 25% the percentage they will return to local governments for the fiscal year starting last July, and will reduce the percent by another 50% in the next fiscal year starting July 2012. The fund will then be discontinued, according to present thinking, on June 30, 2013.

Cities in Ohio have additional income from corporate income taxes and taxes on individuals' wages, but, as you know, Waite Hill does not. Therefore, the plan to eliminate the Local Government Fund has substantially greater impact on Waite Hill than on cities. Willoughby, for instance, gets about 6% of their revenue from this fund. Townships, on the other hand, get up to 75% of their revenue from this fund, and counties get a significant portion of their revenue from this source as well. Waite Hill must obviously close the gap that this is creating.

As I said in the beginning, the purpose of this letter is to expose you in broad terms to our present financial picture. As is true with everyone, changes will have to be made in the near future, and as our financial plan develops, we will be back in touch. At the same time, we invite any questions or comments that you may have.



Arthur D. Baldwin II
Mayor