

Village Revenue Report

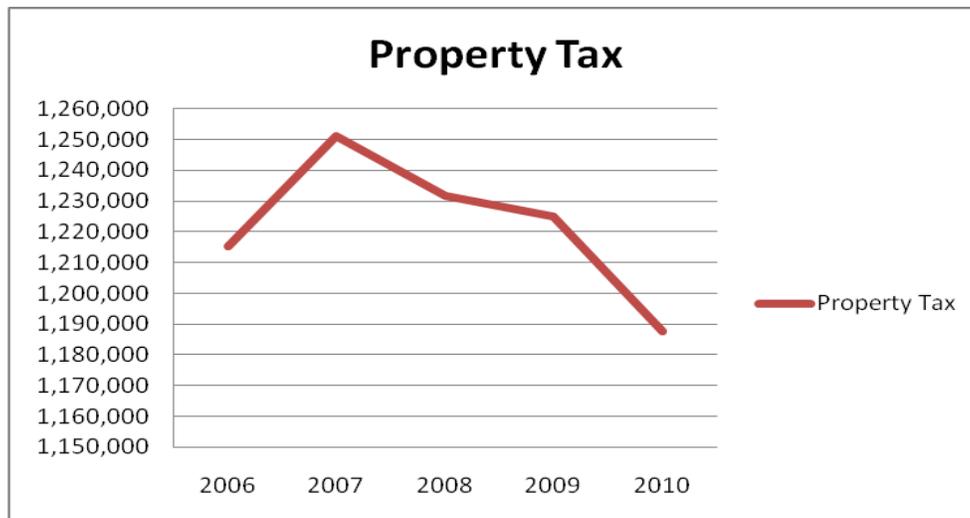
Village revenues have been negatively affected by a variety of factors. A combination of the full earnings tax credit, the State's elimination of local tax sources, the economy and the reduced financial support from the State have significantly affected Village revenues. Council and Village staff will continue to be vigilant in identifying opportunities to contain expenses in order to continue the highest level of service in these challenging times. The Village is closely monitoring and reporting revenues as the 2012 Budget is being finalized.

As mentioned last month, the State Budget dealt a financial blow to Amberley Village by eliminating the inheritance tax and significantly decreasing revenue sharing from the State via the local government fund. The Village is also affected by declining property taxes, with a \$17 million property value loss throughout the Village. The Auditor's Office has notified the Village to expect less property tax revenue. For tax year 2010/collection year 2011, the total valuation in Amberley will be decreased by over 10%. (This includes a 7% decrease for residential, 13% decrease for commercial and 9% decrease for industrial in addition to adjustments for the public utility value due to the Duke Energy appeal.) This decreases our total property value from \$185 million to \$168 million for tax year 2011/collection year 2012.

With the allocation of property tax dollars from the State and County, our August 31 property tax receipts are 5% less than last year for a total of \$1.1 million. The last 5 years of the Village's property tax continues to show a decline:

Year	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Property Tax	\$1,215,200	1,251,059	1,231,579	1,225,134	1,189,754

The graph below highlights the property tax for the Village, years 2006-2011. The height of collections from property taxes came in 2007 and has since been in decline. Assessments and collections will likely continue falling, at least in the near future.



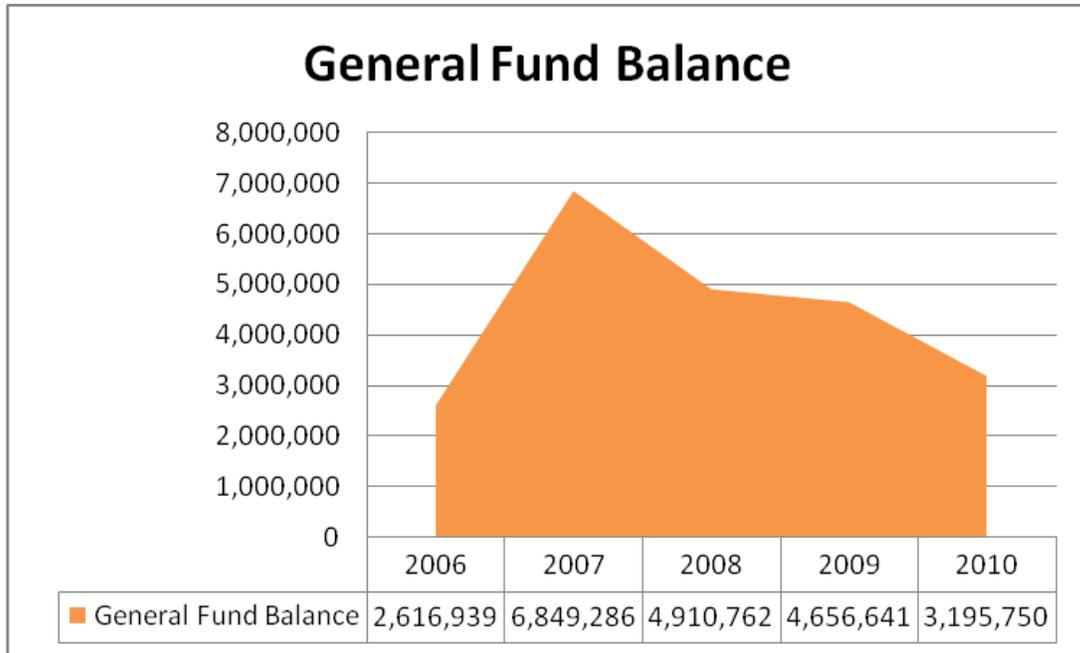
Property taxes represented the 2nd largest source of Village funds last year.

The Village is facing serious budget difficulties and a stagnant economy. The earnings tax, which is the largest source of funds for the Village, is not expected to grow as a result. The Village has relied on a healthy general fund balance in the past. However, using the remaining

reserves doesn't provide for a solid, sustainable financial structure. The balance in our General Fund continues to decrease:

<u>Year</u>	<u>General Fund Balance</u>
2006	\$2,616,939
2007	6,849,286
2008	4,910,762
2009	4,656,641
2010	3,195,750

The graph below illustrates the declining fund balance:



With the August 2011 General Fund balance down to \$2.9 million, the Village must be cautious about drawing on its remaining balance for operations. With several General Fund revenue sources being eliminated or drastically cut, the Village Budget needs to reflect available revenues for its operations as well as a healthy fund balance reserved for catastrophic situations.

Our current fiscal environment requires significant, permanent structural change in our expenditures and revenues that will impact how we do business. Despite a lean staff that is a model of efficiency and effectiveness, the Village must look to further identify cost-effective options through outsourcing services, establishing service partnerships, hiring freezes, and not filling position vacancies.

As Village Council finalizes the 2012 Budget, it will ask each department and every employee to be involved in finding ways to further cut costs. Elected and appointed officials will work together to closely examine existing programs from a cost-benefit approach and rely on taxpayers to help establish priorities. The 2012 Budget will be smaller than the current year budget. We will need to focus on underlying structural issues in future budgets to ensure our long-term sustainability. A permanent reduction in expenditures, new revenue sources or changes in the organization structure are the only viable ways to lay the foundation for a prosperous future. This will require difficult decisions now and into the future but those tough decisions will lead us toward fiscal stability.