

THE TAX ATTACK

Chapter VI

If you have been following this series on the business aspects of our Village and our local taxes, you know that we are beginning a new accounting year. If you missed any of those columns or would like to revisit them, they can be found along with Village financials on the web at (www.gatesmillsvillage.com).

Both the operating and capital budgets for 2008 were approved recently by Council. A careful reading of those discloses some reason for concern.

Year-to-year Village revenues are expected to be substantially flat or to decline slightly. This is in the face of expenses projected to increase in excess of inflation. There are a number of factors contributing to each of those unfavorable trends. On the revenue side, with little new construction, flat (or lower) real estate values and successful conservation efforts, our real estate tax base is stagnant. Remember that only 19.73% of all real estate tax comes to the Village. The balance goes to Mayfield Schools, County libraries, welfare, etc. And Village income tax revenues are constrained by a slightly aging community increasingly living off investments rather than wages.

On the expense side of the ledger, increased health insurance costs, scheduled equipment replacement, repairs to aged Village assets like the cupola on the Community Building, the Village Hall parking surface, and roads and culverts (the largest challenge) mean that operating expenses are estimated to be much higher.

Wages and benefits also play a meaningful part in our increased operating costs. While the Wage and Benefit Committee has maintained our relative position among neighboring communities, wages and benefits (principally health care costs) have added significant expenses beyond inflation, and because municipal accounting expenses asset purchases when they occur rather than capitalizing and depreciating them over their useful life, periodic asset replacement adds to the annual expense burden.

In Gates Mills we have 54 miles of dedicated roads, i.e., those which government is responsible to maintain. In addition, there are more than 150 culverts. Recently the Village has begun inventorying the culverts and, while the age of the newer ones is known, the vast majority have been in existence longer than many of us. From periodic inspection of both roads and culverts we know that time is taking its toll on their physical integrity. While only two of our roads are state or federal highways, over the years our elected officials and service department have been successful in getting contribution from federal, state and county government to aid in some of the road and culvert work. For example, early this year we expect to receive \$324,650 from the county and \$364,000 from the federal government to help in the repair of Gates Mills Boulevard. But even with that aid, our share of needed work amounts to \$424,650. And this is in addition to the approximate \$320,040 in the budget annually for minor repairs. Current estimates are that over the next five years we will have to invest an additional minimum of \$3,300,000 if Village roads are to be safe and passable.

In a target effort to address this last cost issue, Village Council has elected to place a 2.9 mill levy dedicated exclusively to road and culvert replacement and repair. If approved on March 4, 2008 this levy, which will be for five years and first be payable in January 2009, will cost a homeowner \$88.81 for each \$100,000 of taxable value. Over its five-year life, it will fund all Village road and culvert replacement and repair, absent extraordinary failures. This is work that must be done if roads are to remain open and safe. This initiative deserves your serious consideration. By voting you signal Council as to the standards you want our Village to maintain. Please vote wisely.

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