

THE TAX ATTACK

Chapter XVIII

My guess is that you are having the same kinds of conversations with your friends as I am with mine. Sooner or later talk turns to the economy and particularly the economy in our region.

While there are some positives, I would describe those conversations as somber, sometimes hopeful, but rarely optimistic. And it seems as if everyone, regardless of their economic status, is not only talking about ways they can conserve- they are exercising frugality. Of course, there are plenty of stories of successful acquaintances who were careless and now are suffering. The idea that times would never be worse has been debunked.

With those conversations in mind, I was struck by the recent news that one of our region's most successful communities finds itself under fiscal pressure. That community has been led by highly regarded and experienced elected officials, most of whom have business backgrounds. From public information it seems that operations and capital improvements were budgeted based on recent revenues (at times increased to reflect inflation). But revenues declined and near-term prospects are not positive. As a result of over optimism they now are forced to cut services, reduce personnel and defer projects. Remember, municipal government MUST maintain a balanced budget at a minimum.

I relate this because most of us will be personally prudent and we need to hold our Village to the same standards. We ended 2009 on budget. January 2010 unaudited results are in. While one month's Village revenues are not an absolute predictor of final 2010 results, there are several early caution signs we should consider:

1. CCA (the Village's income tax collection agent) reports that gross tax collections for 2009 for the 46 communities it represents dropped 6% on average from 2008. The community with the second highest decline was ours at 21%, down \$389,267.
2. Real Estate Tax income in January was down more than 13% or \$83,609.
3. In January 2009, the Village received a partial payment of inheritance taxes of \$1,539,000. Because no taxes have been collected as yet this year, there were no receipts last month.

Some in our community express the belief that we have been too conservative in estimating income and a year from now (if the trends reverse) we may conclude they were correct. They suggest this Council's prudence reflects a desire to justify the discontinuance of village paid trash removal and to support the need for a levy renewal or worse this fall.

Perhaps, like not drinking or texting while driving, Council's aim is to avoid a crash. This is a time for prudence and prudence is not a four-letter word.

Bob Reitman
Treasurer and Tax Administrator