

City of Willoughby Hills

Interoffice Memo

Date: May 26, 2015
To: Mayor Robert Weger and Members of City Council
From: Frank J. Brichacek, Director of Finance *FJB*
Subject: 2016 Tax Budget

Summary

- State law requires that all Ohio cities adopt a tax budget for the next year by no later than July 15th of the current year and submit the adopted budget to the County Budget Commission by no later than July 20th.
- The primary purpose of the tax budget is to demonstrate to the County Budget Commission the City's need for property taxes. The budget is prepared in compliance with a format prescribed by the Lake County Auditor and the State of Ohio.
- The submitted budget reflects a steady state of City operations and does not anticipate any increases in rates of taxation.

Discussion

Submitted for your review is a draft of the City's proposed 2016 Tax Budget. Under state budgetary law, all cities must adopt a tax budget for the ensuing year by no later than July 15th of the preceding year. Prior to adopting the tax budget, each city is required to hold a public hearing on the proposed tax budget and to have at least two copies of the budget available for public inspection for a ten-day period prior to the public hearing. Once the public hearing has been held and Council has adopted the tax budget, two copies of the approved budget must be filed with the office of the County Auditor by no later than July 20th.

The public hearing on the 2016 tax budget is scheduled for 7:00 p.m. on Thursday, June 25, 2015. The hearing will be held prior to the regular meeting of City Council. Notice of the public hearing will be published on Friday, June 12, 2015 in the *Lake County News Herald*. In addition, the hearing notice will be posted in City Hall, the Willoughby Hills branch of the public library and on the City's website on June 12, 2015.

The tax budget is the first legally required step in the annual budgetary process. The tax budget represents the City's first estimate of its anticipated financial resources and needs for the coming fiscal year. The primary purpose of the tax budget is to demonstrate to the Lake County Budget Commission the City's need to levy property taxes (both inside and charter millage) for the coming fiscal year. For this reason, budgets are presented only for those funds for which property taxes are levied by the City. Once the Budget Commission has reviewed and approved the tax budget and satisfied itself as to the City's need for property tax revenue to fund operations, the Budget Commission will compute and certify to Council for levying the property tax rates for the coming year. The Budget Commission will generally certify property tax rates to the City for adoption in the month of November.

To: Mayor Robert Weger and Members of City Council
 Subject: 2016 Proposed Tax Budget
 Date: May 26, 2015

The proposed tax budget assumes that the City will continue to levy all of the inside, the charter and voted millage (3.0 inside, 1.80 charter and 2.50 mills, respectively) that it is legally authorized to levy. The property tax millage proposed for 2016 is allocated as follows:

<u>Activity</u>	<u>Proposed Millage</u>	<u>% of Total</u>
<u>Inside Millage</u>		
General	2.14	29.3%
Police Pension	0.30	4.1%
Debt Service	0.47	6.4%
Employee Termination	<u>0.09</u>	<u>1.2%</u>
Total Inside Millage	3.00	41.0%
<u>Charter Millage</u>		
Fire/EMS Services	1.80	24.7%
<u>Voted Millage</u>		
Road Maintenance	<u>2.50</u>	<u>34.3%</u>
Total Proposed Millage	<u>7.30</u>	<u>100.0%</u>

When computing proposed property tax rates, the Budget Commission bases its rate computation on the amount of estimated property tax revenue detailed in the City's approved tax budget. The Commission does not consider the City's intent to levy a specific tax rate (in Willoughby Hills' case, 7.3 combined inside, charter and voted mills).

In an attempt to ensure that the City receives the full benefit of all authorized millage, the total property tax revenue estimate has been intentionally estimated to be higher (10% or approximately \$173,900) than anticipated. This assumption is necessary because at the legally mandated time of the tax budget's preparation and adoption, the true value of the 2015 tax duplicate (upon which 2016 revenues are based) will not be known thereby making it impossible to accurately predict the amount of revenue that the City's combined millage will generate. While the Budget Commission will not certify a tax rate that will generate tax revenue that will exceed the amount of property tax revenue requested in the Tax Budget even if the City's intention was to levy a specific tax rate, the Commission will reduce the amount of revenue requested if the maximum permitted rate will not generate the requested amount. Very simply put, because the Budget Commission holds the revenue estimate in the tax budget to be paramount over the City's desire to levy a specific rate of taxation, it is necessary to overestimate the requested amount of property tax revenue.

The proposed General Fund Tax Budget for the year 2016 is summarized as follows:

2016 Tax Budget	Amount
Total Estimated Revenue	\$6,323,300
Total Estimated Expenditures	\$6,867,000
Projected Operating Deficit	\$<543,700>

If the amount of estimated property tax revenue is reduced to the amount actually anticipated, the projected 2016 operating deficit will be \$598,200.

The proposed tax budget reflects a steady state of City operations. With the exception of income tax revenue, no significant new sources of operating revenue are anticipated. The 2016 budget estimate reflects the continuing loss in funding from the State of Ohio due to reductions in the Local Government Fund and

To: Mayor Robert Weger and Members of City Council
Subject: 2016 Proposed Tax Budget
Date: May 26, 2015

elimination of personal property tax reimbursements. As in the past, property taxes, income tax and Mayor's Court costs continue to be the primary source of funding, representing approximately 80% of the estimated revenue for the year 2016.

On the expenditure side of the ledger, the tax budget reflects a no increase in the cost of City operations over the amount budgeted for 2015. Unless new sources of revenue are identified, the City will be forced to modify its operations in order to function within its available financial resources.

If you have any questions regarding the tax budget, do not hesitate to contact me.

Attachment

G:\budget\taxbudget\Tax Budget 2016 TB Memo.xls

**PROPOSED
TAX BUDGET FOR**

The City of Willoughby Hills, Ohio

FOR THE FISCAL YEAR

January 1, 2016 TO December 31, 2016

***LAKE
COUNTY,
OHIO***

Instructions and Tax Budget Form

INSTRUCTIONS FOR COMPLETING THE TAX BUDGET

SCHEDULE A

List only those individual funds which are requesting general property tax revenue. Please complete Column 1 by identifying the amount of general property tax you wish to request for the fiscal year. Columns 2 and 3 are to be completed by the Budget Commission and Columns 4 and 5 are to be completed by the County Auditor.

SCHEDULE B

This schedule will be completed by the County Auditor.

EXHIBIT I - STATEMENT OF FUND ACTIVITY

Complete this exhibit only for the General Fund, the Bond Retirement Fund (if it is, or has been, receiving property tax revenue) and any other funds for which you are requesting general property tax revenue. (Reproduce page 4 if necessary)

This exhibit should be completed using the CASH BASIS of accounting. For all funds, please segregate amounts received for homestead and rollbacks from property taxes. The line item "Revenues Over / Under Expenditures" is the difference between "Total Revenues" less "Total Expenditures". The line item "Ending Cash Balance" is the total of "Revenues Over / Under Expenditures" and the "Beginning Cash Balance".

Columns 1 and 2 - Complete these columns using data from the last two COMPLETED fiscal years.

Column 3 - Complete this column using current year data. A portion of the amount shown should be actual data and the remainder will represent estimates for the balance of the year.

One method of determining the amounts within this column is to review the last amended certificate of estimated resources and the appropriation ordinance. If the amounts are in line with your current estimates, these amounts may be used.

Column 4 - Complete this column for the next fiscal year (budget year).

EXHIBIT II - SCHEDULE OF INDEBTEDNESS

This exhibit is to provide all necessary detail of all debt issues of the entity. Each bond or note issue should be listed individually.

NOTE: The Budget Commission reserves the right to request additional financial information, if necessary, for the funds disclosed in this tax budget.

SCHEDULE B

LEVIES OUTSIDE 10 MILL LIMITATION, EXCLUSIVE OF DEBT LEVIES

FUND	MAXIMUM RATE AUTHORIZED TO BE LEVIED	TAX YEAR COUNTY AUDITOR'S ESTIMATE OF YIELD OF LEVY (Carry to Schedule A, Column 3)
GENERAL FUND:		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		\$ _____
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
Current Expense Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
TOTAL GENERAL FUND OUTSIDE 10 MILL LIMITATION	0	\$ 0
OTHER FUNDS:		
Emergency Fire Levy Fund 240 Fund, Levy authorized by voters on 11/2/82, permanent Charter levy. Authorized under Section _____, O.R.C.	1.80 Mills	\$ _____
Road Levy Fund 270 Fund, Levy authorized by voters on 11/4/14, not to exceed 5 years. Authorized under Section _____, O.R.C.	2.50 Mills	
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		
_____ Fund, Levy authorized by voters on _____, not to exceed _____ years. Authorized under Section _____, O.R.C.		

STATEMENT OF FUND ACTIVITY

(Complete only for General Fund, Bond Retirement Fund, and any other funds
requesting general property tax revenue)

EXHIBIT I

FUND: GENERAL FUND 110

DESCRIPTION	FOR 2013 ACTUAL	FOR 2014 ACTUAL	2015 CURRENT YEAR ESTIMATE	2016 BUDGET YEAR ESTIMATE
REVENUES:				
Property Taxes (Real & Personal)	\$ 456,302	\$ 476,319	\$ 476,200	\$ 531,400
Homestead, Rollback & 10,000 Exemp	61,694	61,885	61,400	68,000
Local Govm't/Rev. Ass't. Fund	381,944	373,664	382,900	382,900
S. B. 3 & 287 Dereg. Reimb.	481	0	0	0
Personal Property Reimb.	0	0	0	0
Other Revenues	5,406,941	5,295,565	5,185,500	5,341,000
TOTAL REVENUES	\$ 6,307,362	\$ 6,207,433	\$ 6,106,000	\$ 6,323,300
TOTAL EXPENDITURES	\$ 6,429,681	\$ 5,637,560	\$ 6,762,390	\$ 6,867,000
REVENUES OVER (UNDER) EXPENDITURES	\$ (122,319)	\$ 569,873	\$ (656,390)	\$ (543,700)
BEGINNING CASH BALANCE	\$ 826,652	\$ 704,333	\$ 1,274,206	\$ 617,816
ENDING CASH BALANCE	\$ 704,333	\$ 1,274,206	\$ 617,816	\$ 74,116
ENCUMBRANCES AT YEAR END	\$ 68,848	\$ 95,590	\$ -	\$ -

FUND: BOND RETIREMENT FUND 310

DESCRIPTION	FOR 2013 ACTUAL	FOR 2014 ACTUAL	2015 CURRENT YEAR ESTIMATE	2016 BUDGET YEAR ESTIMATE
REVENUES:				
Property Taxes (Real & Personal)	\$ 103,802	\$ 104,614	\$ 106,000	\$ 392,200
Homestead, Rollback & 10,000 Exemp	13,550	13,592	13,600	15,000
S. B. 3 & 287 Dereg. Reimb.	598	2,092	2,100	2,100
Personal Property Reimb.	105	688	700	700
Other Revenues	3,091,762	2,793,929	2,278,500	2,591,500
TOTAL REVENUES	\$ 3,209,817	\$ 2,914,915	\$ 2,400,900	\$ 3,001,500
TOTAL EXPENDITURES	\$ 3,209,614	\$ 2,889,706	\$ 2,361,225	\$ 2,998,700
REVENUES OVER (UNDER) EXPENDITURES	\$ 203	\$ 25,209	\$ 39,675	\$ 2,800
BEGINNING CASH BALANCE	\$ 132,004	\$ 132,207	\$ 157,416	\$ 197,091
ENDING CASH BALANCE	\$ 132,207	\$ 157,416	\$ 197,091	\$ 199,891
ENCUMBRANCES AT YEAR END	\$ 3,945	\$ 25	\$ -	\$ -

STATEMENT OF FUND ACTIVITY

(Complete only for General Fund, Bond Retirement Fund, and any other funds requesting general property tax revenue)

EXHIBIT I
(Continued)

FUND: Emergency Fire Levy 240

DESCRIPTION	FOR 2013 ACTUAL	FOR 2014 ACTUAL	2015 CURRENT YEAR ESTIMATE	2016 BUDGET YEAR ESTIMATE
REVENUES:				
Property Taxes (Real & Personal)	\$ 383,805	\$ 400,638	\$ 397,900	\$ 447,200
Homestead, Rollback & 10,000 Exempt	51,892	52,053	52,100	57,000
S. B. 3 & 287 Dereg. Reimb.	376	0	0	0
Personal Property Reimb.	0	0	0	0
Other Revenues	223,187	162,542	207,100	155,400
TOTAL REVENUES	\$ 659,260	\$ 615,233	\$ 657,100	\$ 659,600
TOTAL EXPENDITURES	\$ 653,226	\$ 525,818	\$ 660,938	\$ 664,000
REVENUES OVER (UNDER) EXPENDITURES	\$ 6,034	\$ 89,415	\$ (3,838)	\$ (4,400)
BEGINNING CASH BALANCE	\$ 45,387	\$ 51,421	\$ 140,836	\$ 136,998
ENDING CASH BALANCE	\$ 51,421	\$ 140,836	\$ 136,998	\$ 132,598
ENCUMBRANCES AT YEAR END	\$ 884	\$ 3,838	\$ -	\$ -

FUND: Road Levy 270

DESCRIPTION	FOR 2013 ACTUAL	FOR 2014 ACTUAL	2015 CURRENT YEAR ESTIMATE	2016 BUDGET YEAR ESTIMATE
REVENUES:				
Property Taxes (Real & Personal)	\$ 540,889	\$ 555,972	\$ 558,800	\$ 620,300
Homestead, Rollback & 10,000 Exempt	72,073	72,296	72,400	80,000
S. B. 3 & 287 Dereg. Reimb.	627	861	900	900
Personal Property Reimb.	1,383	9,683	9,700	9,700
Other Revenues	531,363	25,087	91,100	93,000
TOTAL REVENUES	\$ 1,146,335	\$ 663,899	\$ 732,900	\$ 803,900
TOTAL EXPENDITURES	\$ 1,000,333	\$ 668,530	\$ 839,398	\$ 873,000
REVENUES OVER (UNDER) EXPENDITURES	\$ 146,002	\$ (4,631)	\$ (106,498)	\$ (69,100)
BEGINNING CASH BALANCE	\$ 202,746	\$ 348,748	\$ 344,117	\$ 237,619
ENDING CASH BALANCE	\$ 348,748	\$ 344,117	\$ 237,619	\$ 168,519
ENCUMBRANCES AT YEAR END	\$ 110,349	\$ 66,599	\$ -	\$ -

STATEMENT OF FUND ACTIVITY

(Complete only for General Fund, Bond Retirement Fund, and any other funds
requesting general property tax revenue)

EXHIBIT 1
(Continued)

FUND: Police Pension 220

DESCRIPTION	FOR 2013 ACTUAL	FOR 2014 ACTUAL	2015 CURRENT YEAR ESTIMATE	2016 BUDGET YEAR ESTIMATE
REVENUES:				
Property Taxes (Real & Personal)	\$ 64,964	\$ 66,773	\$ 67,100	\$ 74,000
Homestead, Rollback & 10,000 Exemp	\$ 8,649	\$ 8,676	\$ 8,700	\$ 10,000
S. B. 3 & 287 Dereg. Reimb.	\$ 63	\$ 103	\$ 100	\$ 100
Personal Property Reimb.	\$ 166	\$ 3,254	\$ 3,300	\$ 300
Other Revenues	\$ 3	\$ 4	\$ 100	\$ -
TOTAL REVENUES	\$ 73,845	\$ 78,810	\$ 79,300	\$ 84,400
TOTAL EXPENDITURES	\$ 70,200	\$ 75,700	\$ 79,200	\$ 84,400
REVENUES OVER (UNDER) EXPENDITURES	\$ 3,645	\$ 3,110	\$ 100	\$ -
BEGINNING CASH BALANCE	\$ 6,681	\$ 10,326	\$ 13,436	\$ 13,536
ENDING CASH BALANCE	\$ 10,326	\$ 13,436	\$ 13,536	\$ 13,536
ENCUMBRANCES AT YEAR END	\$ -	\$ -	\$ -	\$ -

FUND: Employee Termination 296

DESCRIPTION	FOR 2012 ACTUAL	FOR 2014 ACTUAL	2015 CURRENT YEAR ESTIMATE	2016 BUDGET YEAR ESTIMATE
REVENUES:				
Property Taxes (Real & Personal)	\$ 19,489	\$ 20,031	\$ 20,300	\$ 22,200
Homestead, Rollback & 10,000 Exemp	2,595	2,603	2,600	3,000
S. B. 3 & 287 Dereg. Reimb.	0	0	0	0
Personal Property Reimb.	50	349	300	300
Other Revenues	21,855	0	13,500	100
TOTAL REVENUES	\$ 43,989	\$ 22,983	\$ 36,700	\$ 25,600
TOTAL EXPENDITURES	\$ 44,089	\$ 22,525	\$ 34,700	\$ 25,600
REVENUES OVER (UNDER) EXPENDITURES	\$ (100)	\$ 458	\$ 2,000	\$ -
BEGINNING CASH BALANCE	\$ 597	\$ 497	\$ 955	\$ 2,955
ENDING CASH BALANCE	\$ 497	\$ 955	\$ 2,955	\$ 2,955
ENCUMBRANCES AT YEAR END	\$ -	\$ -	\$ -	\$ -

