

Additional ½ % Income Tax Increase on Ballot in November

On November 2, Beachwood voters will have a choice to continue the present level of city services at no additional charge by approving a ½ of 1% income tax increase. We will continue to provide a 100% tax credit of up to 2% for residents working outside Beachwood.

City projections show if we do not increase tax revenues, the city's general fund will likely face a \$4 million operating deficit in 2011.

We have taken steps to reduce city expenditures by doing more with less. We have deferred purchases, road improvements and other capital expenditures. As employees have retired or left their jobs, we have consolidated responsibilities.

After doing a strict internal examination of our expenditures, we have already deferred or canceled purchases and projects totaling \$28 million dollars.

While no one welcomes a tax increase, Beachwood will remain competitive on a wide variety of fronts. There are 56 communities in Cuyahoga County. The vast majority have a 2% rate or higher. Only a small handful of communities have a rate lower than 2% and only one competes with us regularly for business development. Our typical competition is currently at 2% or higher.

The competitive advantage cited by existing or potential Beachwood businesses is the quality of our services. By taking this proposed step, the city avoids decreasing the service levels our business community has come to expect.

Our businesses and residents want to preserve the quality of this community and expect a superior level of response from the Police, Fire, Service and Municipal Departments.

SOME OF THE SERVICES PROVIDED TO THE BUSINESS COMMUNITY INCLUDE:

- Fast, thorough street plowing, improving the mobility of employees, customers, clients and deliveries.
- Sidewalk snow-plowing in commercial districts – 7 days a week.
- Representation and advocacy for important issues impacting Beachwood's business community, including opposition to the Northeast Ohio Sewer District's proposal to levy a brand new tax to be used to manage rainwater...this "impervious surface fee" will greatly impact each business more heavily than the residential areas due to the amount of hard surfaces typically seen on business rooftops and parking lots. We have already allocated \$100,000 for this fight.
- Public safety coverage second-to-none:
 - response time between 2-4 minutes
 - skills and capacity for special circumstances
 - maintaining a safe and secure operating environment
- Maintaining and repairing public infrastructure including streets, sewers, traffic signals, street lights and parks.
- An excellent bond rating (Moody's Aaa and Fitch AAA), expanding our ability to borrow at a reduced cost to taxpayers.
- Specialized and frequent Police and Fire response to Beachwood businesses, particularly to our hotels, fitness centers and shopping centers.

WHY AN INCREASE AND WHY NOW?

Anyone who has read the newspapers or watched television in the last few years knows these are tough economic times. Unemployment is high, profits are low and consumers are buying less. These are facts that all Americans have had to face. Like other businesses, local governments are not immune to the impact of the economic downturn and the effect on Beachwood's tax collections has been significant.

There have been numerous ups and downs in the economy over the preceding decades. We've weathered all of them, rebounding quickly and emerging unscathed. Many thought the economy was going to rebound quickly, which is why we were reluctant to make deep, substantive cuts to City services. But this recession has turned out to be unprecedented in modern times.

By the numbers:

- When the interest rates are favorable, the City averages from \$1 to \$1.5 million in income just from the investment income on our Rainy Day Fund. Without a reserve, we lose this revenue stream.
- We have seen a 16% drop in the city's general fund revenue from all sources through July, 2010, following an 8.4% decline in 2009. This includes income from the income tax, user fees and investments.
- We continue to maintain a cash reserve. However, after decades of maintaining healthy cash reserves, our projections show our Rainy Day Fund will be depleted by 2014 if we do not take action now.

THE CHAGRIN HIGHLANDS – INCOME & EXPENSES

The State of Ohio, Cuyahoga County, the Port Authority of Cleveland and Beachwood all worked together to attract Eaton Corporation to the City of Beachwood.

The City of Beachwood only receives one-half of the income tax generated by people working in the Chagrin Highlands because of the tax sharing agreement in place with the City of Cleveland and the City of Warrensville Heights.

Our financial projections already factor in receiving new tax dollars from companies moving into Beachwood (e.g. the Eaton Corporation and Ahuja Medical Center).

MORE FACTS:

The next opportunity to bring this matter before the voters after November 2010 is February, 2011 (Special Election) and May, 2011 (Primary Election)

The cost of a Special Election is approximately \$2,800 per precinct. Beachwood has 10 precincts. The cost would be offset and/or shared if there were any other items on the ballot at that time (at the present time, there is nothing else on the February, 2011 ballot).

This will be the first income tax increase in the City of Beachwood in 20 years. **If the voters of Beachwood choose not to support this ½% tax increase, prudent financial stewardship will require the City to cut staff, services and programs immediately in order to balance the budget and avoid dipping into reserves.**

PERSONNEL AND SALARIES

In order to preserve our current level of services, we purposely avoided eliminating jobs outright or placing staff on furlough, as other communities have been forced to do. Instead, we took steps to consolidate responsibilities and reduce city expenditures by doing more with less.

We have five collective bargaining units, each with their own, separate contract:

- Dispatchers, Fire, Police and Police Sergeants/ Lieutenants and Service Workers
- Each of these contracts are for a 3 year length
- The last time we negotiated with our unions, each received a 3.5% increase for each year of the contract, which was comparable to what other cities were giving at the time.
- The City will be meeting with unions before the end of this year. We will work to negotiate contracts that are respectful to our employees and the people they serve. However, even if we gave no wage increases, there is still a need to ask the voters for a half-percent increase in our income tax rate now.

INCOME TAX CREDITS

In 1997, the Beachwood City Council established a 100% tax credit for Beachwood residents who earn their income outside of Beachwood.

This tax reduction was implemented in recognition of the fact that so many of our residents work in other communities and must pay income tax where they work.

Eliminating the current tax credit (i.e. giving no credit at all to our residents) would generate approximately \$3.1 million per year. However, it would affect all income-earning residents of our city, with those working outside of Beachwood being taxed twice on their local income.

BENEFITS TO BUSINESSES AND RESIDENTS (100,000 daytime; 12,000 residents)

- Police/Fire response time of 2–4 minutes
- Fire Response
 - 2009: over 4000 emergency fire and EMS responses across the entire city
 - January 1, 2005 through mid-August, 2010: 741 emergency fire and EMS responses to the 6 hotels in Beachwood
- NOTE: The above numbers do NOT include fire inspections or police responses
 - Police protection for business property
 - Emergency services for businesses, customers and employees
- Accredited police and fire departments
- Excellent bond ratings Aaa (Moody’s) and AAA (Fitch)
- Low property taxes
- Sidewalk repair and replacement (no charge)
- Road and sewer repair/replacement (no charge)
- Snow removal – sidewalk and streets 7 days per week (no charge)
- Access to the Beachwood Family Aquatic Ctr.
- Child safety seat installation (no charge)
- CPR Training at a reduced rate
- Excellent schools

WHERE THE MONEY GOES

2009 EXPENDITURES

