

Finance Committee

March 17, 2014

The Finance Committee met Monday, March 17, 2014 at 7:00 p.m. Present were Council members Frey, Gambatese, LoPresti, Marko, Packard, Schlessel and Ward. Also present were, Mayor Cicero and Finance Director Kovalchik. The purpose of the meeting was to discuss the Income Tax Rate Issue, a topic that had been introduced at the Appropriation session several weeks ago.

Chairman Ward opened the discussion by referring to the “Municipal Income Tax Review” Mrs. Kovalchik had prepared for the Committee and had distributed electronically for their perusal. The “review” provided an excellent snapshot of the City’s resources, recent financial history – including cash balance carry forward – and forecasts. The forecasts included detailed assumptions with regard to programs, raises and costs for commodities required to render service to our residents. This “review” clearly highlighted the direction our carry forward balances are headed and the challenge the City will have in the near future unless additional funding is infused.

Finance Director Kovalchik, at the Committee’s request, had prepared details showing the impact of a .25% increase to the City’s Municipal Income Tax Rate (from 1.5% to 1.75%) as well as the impact of a .50% increase (from 1.5% to 2%) as these were the two levels Council had narrowed down to when last the matter was explored. The 1.75% rate would yield an estimated additional \$1.087 million per year and the 2.0% rate would yield an estimated \$2.178 million. Mrs. Kovalchik also forecasted how far out those additional dollars might carry the City – again based upon the delineated assumptions – before the City might again need to explore additional funding. The 1.75% rate would only carry the City 4-5 years; the 2% rate would take the City out over 10 years before the City’s year end balances would fall into risky territory.

The Income Tax Review also included a schedule of Municipal Income Tax Rates statewide along with those for the local communities that make up our County Council District. Of those, Lyndhurst has the lowest Municipal Income Tax Rate.

Mayor Cicero reminded the Committee that his recommendation to eliminate the .50% tax credit is an option that Council could pursue and the

credit could be reinstated should things improve. Mr. Ward stated that option puts 100% of the additional tax burden on the shoulders of Lyndhurst resident taxpayers which is not fair, as Council had determined in its last study of the issue. Certainly, should things improve, Council could increase the credit offered its residents. The additional cost, to a Lyndhurst taxpayer earning \$50,000, would be \$62.50 per year if the rate is increased by .25% and would be \$125.00 if the rate is increased by .50%.

After some additional discussion a motion was made by Mr. Marko, seconded by Mr. Frey, that a recommendation be made to Council to place a .50% increase to the City's Municipal Income Tax Rate before the voters in the August election with an effective date of January 1, 2015. The question passed unanimously. Chairman Ward will request the Law Director draft the required legislation in time to conform to the requirements of the Cuyahoga County Board of Elections.

A motion was made by Mr. Gambatese, seconded by Mr. LoPresti that the meeting be adjourned.

With no further business to discuss the meeting adjourned at 7:27 pm.

Respectfully submitted,

Patrick A. Ward
Chairman