



Mayor Joseph M. Ciceró, Jr.

5301 Mayfield Rd. \* Lyndhurst, Ohio 44124

440-442-5777 \* fax 440-442-1844

E-mail - [cicerój@lyndhurst-oh.com](mailto:cicerój@lyndhurst-oh.com)

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As in years past, we have prepared for you a picture of our City's financial condition to illustrate how our City Council and my Administration are assuring your tax dollars are working to provide the quality services we enjoy here in Lyndhurst. This review is based upon our 2011 statements which have been independently audited as required by State law. You should also know that our City received an award for Exemplary Financial Reporting.

Over the last year Lyndhurst, as well as many of our neighboring communities in Cuyahoga County and across the country have continued to endure the effects of the financial downturn. We have relied on the expertise and cooperation of our employees to stretch every tax dollar as far as possible. We have struggled with the hard decisions and have kept our focus on what we can do to maintain the vitality of our Community. I am confident these choices have made us a better organization and a stronger community.

As you read through the 2011 Financial Review you will see where our revenues come from and how those dollars are spent. You should note that for every \$1.00 we pay in property tax the City of Lyndhurst only receives 13.14 cents to be used to provide all of the services you receive. Our revenue increased slightly in 2011 and our expenditures decreased by half a million dollars as a direct result of planned changes to our operations and programs. This sound financial planning is a combination of hard work and understanding between City Council and my Administration.

This year Governor Kasich and the State Legislature dealt local governments an additional devastating blow by reducing Local Government assistance and eliminating the Estate Tax, important funds we have relied upon. The City of Lyndhurst will lose approximately \$1.8 million in revenues, from these two sources alone by 2014, which will further impact how we deliver services to our residents. For a long time it seemed possible that the sale of Acacia Country Club might reduce the stress the economy and the State has put on Lyndhurst. We even worked with a developer to facilitate the purchase the property. The development of the Acacia property, with residential and commercial uses, would have generated anywhere from \$750,000 to \$1 million to help offset lost revenue to the City. That development would have provided tax relief to all of our residents by contributing needed revenue to our Schools as well.

The cost savings we have accomplished in all of our departments have helped us sustain operations with flat revenues but those significant changes cannot fill the loss of revenue, imposed by the State, we will experience. We, along with our employees, will continue to work together to weather this financial storm.