



Dear Taxpayer;

This letter serves to explain a major change which the Village Council of West Milton needed to implement in an effort to balance the budget and still provide quality services to our residents and businesses. Please know, this decision was not made in haste, it was very difficult, but in making every effort available to us, we were left with no other option. In short, the Municipality of West Milton has eliminated the credit to the one percent (1%) income tax effective tax year 2015. This means that those taxpayers who live here but work elsewhere with a local income tax will no longer receive a credit and will be responsible to pay the tax here as well. We understand the effect this will have on so many of you, but please allow us this opportunity to explain the situation we face together; a situation with factors which were out of our control.

First, let us explain in simple terms the budget of your local government. The budget has four basic parts: the General Fund, the Street Maintenance Fund, the Water Fund, and the Sewer Fund. Each of these funds have separate sources of revenue and are responsible for different functions of services provided. For example, the water and sewer funds revenue comes from the monthly water bill and pays for those specific operations. The Street Maintenance Fund comes from the levy which voters supported last fall. Its sole purpose is to repair and maintain our streets. The General Fund is a comprehensive fund which covers all other expenses, such as Police, Fire, Parks, communications, buildings, equipment, insurance, street lighting, fuel, mosquito fogging, emergency sirens, etc. Essentially, if it's not related to water, sewer or street maintenance, the General Fund must cover the cost.

The General Fund's sources of revenue used to come from basically four sources: property taxes, state/county government, interest, and the income tax. Please note we wrote "used to" in the previous sentence. Let us explain.

Since the economy went into a deep recession in 2008, local government funding has been slashed. Not just to West Milton, but to every local government throughout Ohio. The State of Ohio, in an effort to balance their own budget, cut the amount they return to the local government; both through direct payments and the elimination or cutting of certain other taxes. As an example, the Village of West Milton used to receive over \$483,000 a year directly from the State of Ohio, \$244,000 going to the General Fund. Today we receive less than half. Since 2007, the accumulated total reduction in revenue from the State of Ohio from all sources has been nearly \$400,000.

In addition, the economy has had a large effect on two other revenue sources: property taxes and interest income. As we are sure all of you are aware, the rates which banks pay in interest is at an all-time low. This low interest rate has had a large impact in the generation of revenues

to our General Fund. As an example, in 2007 the Village of West Milton received over \$160,000 in interest income. In 2014, we received less than \$8,000. The accumulated loss of interest income since the 2008 recession has been \$1,025,000. And because the economy has in fact lowered the property values throughout our community, the Village of West Milton is experiencing a continuous reduction in property tax revenues.

All of these factors combined has caused our revenues to be such that we cannot keep up with our expenses.

Make Cuts:

The Village of West Milton has in fact been making cuts over the last few years by eliminating jobs, combining positions, freezing wages, asking our employees to pay more for their health insurance, extending the life of equipment, and doing more with less in every aspect. As an example, the General Fund budget for 2015 is approximately \$215,000 less than 2014. And 2014 was another \$200,000 less than 2013. However, our revenues have dropped faster than our cuts. We are still projecting a deficit of nearly \$378,000 for 2015. We have experienced several years of deficit spending and this reality is not sustainable.

Services will be impossible to provide with additional cuts. And the State of Ohio and Miami County refuse to provide any additional revenues. The economy has not improved to generate any additional revenues. So, the difficult decision to eliminate the credit of the income tax became our only option.

What does this mean?

The elimination of the income tax credit means that those residents of West Milton who work elsewhere and pay the local income tax at their work location will now need to pay the full 1.5% here as well. As an example, for an individual who makes \$40,000 a year, it means an additional \$400 in income tax. We know this will have a significant impact on all of our taxpayers and as we wrote earlier this is not a decision which was taken lightly. Please know and understand, Council and Administration is committed to continuing to find ways to hold and cut expenses. The Council and Administration is also very committed to working hard at trying to grow our village and our economy and thereby our revenues. We know this decision is painful and we ask for your support, your ideas, and commitment to our great community.

Thank you.

On behalf of the West Milton Village Council, Administration and Staff

Matthew D. Kline

Municipal Manager