Date: April 1, 2014

To: Village Dissolution Committee
From: CGR: Scott Sittig
Paul Bishop

RE: (UPDATED 5/1/14) Fiscal Impact of Dissolution

We have developed the fiscal impact for dissolution for your review. The model we have developed is based solely upon the options that the committee has chosen, and known legal statutes or requirements that will apply as a result of dissolving a village. The model is conservative resembling the positions the committee has taken with respect to maintaining the continuity of services in the community.

An important contextual factor for the fiscal analysis is that we model cost and revenue changes ***relative to the existing budgets***. For this analysis our cost impact used the Village 2013-14 budget and the Towns' 2013 budgets. It is important to note that our modeled tax rates are ***not*** predicting what new tax rates will be if dissolution actually occurs. We are only modeling what the tax rates ***might have been*** if the options chosen by this committee were in place during the current fiscal years noted above.

Therefore, it is equally important to note that significant changes in how either town or village would operate in the near future, or unexpected fiscal crisis or changes in policy regarding services can all have a significant impact on these estimates. As a result, we have rounded our findings for potential new rates to the nearest tenth of a dollar unless we don't anticipate a change to a current rate. ***Our estimates of overall change in percentage terms are what should be focused on rather than exact tax rates.***

Based on the options that have been chosen and incorporated into the dissolution plan, CGR has modeled that overall cost savings as a result of dissolution would be $277,000. This savings represents 2% of the overall combined budgets, and 4% of the Village budget. The plan calls for keeping nearly all personnel, adding 1 FTE of ***part time*** police officers, but shifting the majority of existing Village costs to the Towns or newly created special districts or LDC. Overall, we expect the towns to become responsible for $2.5 million of the Village budget. This results in Shelby increasing its overall costs by 36% and Ridgeway increasing its costs by 67%. The remainder of the costs shift to a Fire District ($1.52 million), the LDC ($2.39 million), a lighting district ($71,000), and a debt district ($325,000[1] – using figures based on current budgets).

On the revenue side we model a loss of $131,000 in non-property tax revenue from a variety of small sources including a loss of utilities gross receipts tax. In addition, the Village applied $230,000 in fund balance to help mitigate the impact of increasing its tax levy in 2013-14. We did not apply this fund balance to the modeled levies in the towns resulting in $361,000 of lost revenue from a dissolution process. Approximately $750,000 of non-property tax revenue will

[1] Debt is based on the current budget and could be significantly less at the time of dissolution.

shift from the Village to the two towns totaling an 18% increase in Ridgeway and a 13% increase in Shelby. Additionally, the Fire District would receive the revenue associated with the current Ambulance (in the form of a contract for roughly $855,000) and the LDC would receive all revenue associated with the water and sewer (approx. $2.39 million).

The Citizen Empowerment Tax Credit (CETC) available for the community from a dissolution process is calculated to be $541,000. The CETC would be split between the two communities based upon population totaling $303,000 for Ridgeway and $238,000 for Shelby.

All of these changes result in the following tax impacts.

	Current Medina in Ridgeway		
Per $1000 of assessed value	**Current Tax**	**Proposed Changes**	**Proposed Tax**
Village tax	16.45	(16.45)	-
Town tax	3.04	4.96	8.00
Fire District tax	-	4.00	4.00
Street Lighting tax	-	0.40	0.40
Debt Service District tax	-	1.90	1.90
Total Tax Rate	**19.49**	**(5.19)**	**14.30**
Tax on Home Assessed for $70,000	$1,364	-$363	$1,001
Percentage change in tax	***-27%***		

	Current Ridgeway-Outside-of-Village		
Per $1000 of assessed value	**Current Tax**	**Proposed Changes**	**Proposed Tax**
Village tax	-	-	-
Town tax	4.88	3.12	8.00
Fire District tax	1.34	-	1.34
Street Lighting tax	0.49	-	0.49
Debt Service District tax	-	-	-
Total Tax Rate	**6.71**	**3.12**	**9.83**
Tax on Home Assessed for $70,000	$470	$218	$688
Percentage change in tax	***46%***		

Per $1000 of assessed value	Current Medina in Shelby Current Tax	 Proposed Changes	 Proposed Tax
Village tax	16.45	(16.45)	-
Town tax	3.35	3.45	6.80
Fire District tax	-	4.00	4.00
Street Lighting tax	-	0.40	0.40
Debt Service District tax	-	1.90	1.90
Total Tax Rate	**19.80**	**(6.70)**	**13.10**
Tax on Home Assessed for $70,000	$1,386	-$469	$917
Percentage change in tax	***-34%***		

Per $1000 of assessed value	Current Shelby-Outside-of-Village Current Tax	 Proposed Changes	 Proposed Tax
Village tax	-	-	-
Town tax	5.99	0.81	6.80
Fire District tax	1.52	-	1.52
Street Lighting tax	0.85	-	0.85
Debt Service District tax	-	-	-
Total Tax Rate	**8.36**	**0.81**	**9.17**
Tax on Home Assessed for $70,000	$585	$57	$642
Percentage change in tax	***10%***		

In the future, should the two towns decide that merging would be in their best interest; based on the newly modeled tax levies it is possible that the Towns would be eligible for an additional $447,000 in new CETC money. Based on current townwide taxable assessed valuation in both towns, it can be predicted that for every $100,000 of new revenue in the community, the combined townwide tax rate could be lowered by approximately $.25 per thousand. Thus, the tax rate would be impacted by slightly more than $1.10 per thousand based on a potential of the new CETC. Absent any other changes in expenses and revenues, this would mean Shelby residents outside of the village would have lower taxes than they do today or under dissolution, and Ridgeway outside of village residents would still see an increase based on dissolution, but by slightly more than half as much as what is predicted under dissolution. Village residents would benefit further at the time of townwide dissolution. ***It needs to be stressed that this is very premature and speculating now on a future town consolidation is not advisable.***

Other changes in the tax levy such as loss of positions through attrition will yield additional tax impact. The benchmark for calculating the impact is that for every $10,000 of change to the tax levy, the tax rate will adjust by approximately $.05 per thousand in Ridgeway and $.06 per thousand in Shelby. Thus, one loss through attrition of a $60,000 position split evenly between the two towns would lower the Ridgeway tax rate by $.15 per thousand and the Shelby tax rate by $.18 per thousand. This equates to about 1% of the overall tax rate in each community.

Between the new CETC and the overall savings, the community stands to benefit from dissolution by almost $820,000 in total. When factoring in the loss in revenue (not including the use of Fund Balance), the net benefit to the community would be approximately $690,000.