

ISSUE 31

Issue 31 Hastens the Financial Distress That Is Looming Ahead For North Canton Taxpayers

The opportunity for North Canton Voters to vote on whether or not to fund the Community Improvement Corporation (CIC) was made possible because 860 North Canton voters signed a referendum petition earlier this year to place this issue before all the voters of North Canton.

Your vote will be to decide whether you, the taxpayer, want to spend \$1,500,000 from your hard-earned taxes to fund the CIC.

A NO VOTE means that you would prefer that your tax dollars be spent to fund the daily operations of your city and NOT to fund the CIC.

I urge you to exercise your right as citizens and voters of the City of North Canton and consider the following before you cast your vote on Issue 31.

If this flyer has been left at your house and you have questions regarding this ballot issue, please call (330) 499-4975.

Thank you, Chuck Osborne

Paid for by North Canton Voters for Prudent Fiscal Spending, Chuck Osborne, Treasurer, 307 Fairview St. SE, North Canton, OH 44720

Reasons to VOTE NO on Issue 31

1. The expenditure of \$1,500,000 from the North Canton Income Tax Fund to fund the CIC will further deplete city reserves and bring about an increase in income tax rates sooner than if the funds were retained for needed city services.

- ✓ The loss of hundreds of salaried jobs when the Maytag Corporation dismantled the North Canton headquarters of the Hoover Company along with the loss of even greater numbers of factory jobs over the last several years has resulted in reduced income tax revenues for the City of North Canton. The logical conclusion is that North Canton will need to raise income tax rates to make up for the lost revenue.

In a March 7, 2005, Council of the Whole meeting, North Canton Director of Finance, Julie Herr, remarked that “if... Hoover ends up leaving, that’s \$1 million in income taxes gone.”

Overspending North Canton’s annual budget further accelerates the day on which the City of North Canton will come to the voters for an increase in income tax rates. The City of North Canton spent \$4,381,019 beyond budgeted expenditures in 2003. In 2004 it spent \$313,599 in excess of what was budgeted. In 2005, with two months remaining in the year, it has already spent \$3,787,858 over what was budgeted.

If the expenditure of \$1,500,000 is approved by voters at the polls to fund the CIC, the City of North Canton will have overspent its 2005 annual budget by more than \$5 million dollars (\$5,287,858).

2. A CIC is generally used to attract industrial or commercial development, NOT retail development.

- ✓ Industrial development and commercial development bring with them large numbers of well-paying jobs and the income tax generated is worth the investment! Retail development typically means only handfuls of minimum-wage jobs.

The Mayor has proposed purchasing several properties on Main Street for development and bringing an upscale restaurant to Main Street. Are you willing to risk further depletion of dwindling city reserves for the creation of a few jobs that pay minimum wage?

In remarks I made to North Canton City Council on May 9, 2005, I posed the following question to Mayor Tom Rice: Would the construction of an upscale restaurant on Main Street have a materially positive impact on income tax revenues? Mayor Rice did not answer my question.

The full text of my remarks, titled, “Funding of the CIC with Taxpayers’ Funds Hastens Financial Calamity for North Canton,” can be found in the minutes of that council meeting found on my Web site at <http://www.chuckosborne.com> or on a North Canton Blog page at <http://opengovernmnet4nc.blogspot.com>.

3. A CIC is generally not funded with taxpayer dollars that are used to support city services!

- ✓ Municipalities generally arrange for the issuance of municipal bonds or revenue bonds to finance projects deemed beneficial to the public. Municipal bonds are tax-free to investors who purchase them and are repaid by the business who received the bond funds. If revenue bonds are used, revenue generated from the project is used to repay the bonds. The taxpayers are never liable for repayment of the debt.

This is exactly how the City of North Canton has operated under the CIC it first created back in 1980. The City of North Canton, through the action of its City Council, has authorized the issuance of numerous revenue bonds for various projects in the last twenty-five years. Several bond issues have been authorized to facilitate construction projects at the St. Luke Lutheran Home for the Aging in North Canton.

And each time that City Council authorized bonds to finance construction for St. Luke's, **taxpayer dollars were not used to repay the bonds**. The bonds were paid back from the revenue derived from residents who paid to live at St. Luke's Nursing Home. The taxpayers of North Canton did not bear any financial burden whatsoever to bring St. Luke Lutheran Home for the Aging to North Canton.

4. Taxpayer reserves have declined precipitously in the last two years. Remaining cash reserves will be needed to make up decreasing income tax revenues as the Hoover Company continues to curtail jobs.

- ✓ A memo, dated April 1, 2005, from Director of Finance Julie Herr to Chairman of Finance and President of City Council, Jon Snyder, reported that North Canton's carryover balance, as of March 31, 2005, had an unencumbered balance of \$5,912,900.

If the expenditure of \$1,500,000 is approved by voters at the polls to fund the CIC, North Canton's carryover reserves will drop to \$4,412,900. If City Council continues to overspend its annual budget as it has for the last three years and the remaining Hoover factory jobs are lost (with the resulting annual loss of \$1 million of income tax collections to the city), North Canton's carryover reserves will quickly evaporate.

5. There is no current independent objective economic analysis of the City of North Canton, and Mayor Rice has no economic plan.

- ✓ See North Canton BLOG page (<http://opengovernment4nc.blogspot.com>) for comments titled, "Mayor Rice Requests \$2 Million With No Economic Study and No Plan in Place."

6. The fate of the remaining factory jobs at the Hoover Company appears to be more tenuous with each passing day and taxpayers would be wise to delay any funding of the CIC until more is known regarding the fate of the Hoover factory and the few remaining Hoover factory jobs.

- ✓ A recent *Akron Beacon Journal* article, dated October 22, 2005, titled, "Maytag stumbles in third quarter" offers no encouragement that Hoover factory jobs will remain in North Canton. The article reported the following: "Chief Executive Ralph Hake reported disappointing earnings Friday and told employees that before the company can turn around its fortunes, it must improve performance at its subsidiary in North Canton, as well as at the Maytag plant in Newton, Iowa..."

"At the top of Hake's list of things to fix are what he called 'underutilized plants,' including Hoover's in North Canton."

7. City Council is abdicating its responsibility to the voters by turning over spending of taxpayer dollars to others.

- ✓ The CIC is governed by a board of trustees. This board is not accountable to City Council or to the voters of North Canton. The CIC is allowed to meet in closed session and to maintain the confidentiality of information that is not a public record.

8. Jon Snyder, City Council President and Finance Committee Chairman made the following statements in a March 7, 2005, Council of the Whole meeting in opposition to funding the CIC:

- ✓ "...the CIC is normally funded with money it generates internally or with grants such as is done in Canton."
- ✓ "...The city is not in a position to do this....I am against using the liquidity of the city."

Urge your North Canton leaders to limit funding for the CIC to bond financing as they have done for over 25 years. Bond Financing is fiscally prudent, financially sound, and fairer to YOU, the taxpayer!