

Handout 1-1  
Committee Memorandum

TO: Committee Members  
FROM: May R. Town, Mayor  
SUBJECT: Recommendation: Taxing / Spending

I asked you to join this committee to help me solve a problem. The city's budget director has forecast that city tax revenues will be \$600,000 less than expected this year, the second year of the city's two-year budget period. That means we might have to cancel several projects or raise taxes. To complicate matters, I promised in the last election campaign to complete all of the scheduled spending projects without increasing taxes. My opponent, who lost by only a few votes, argued that city spending should be cut and taxes reduced.

In making your recommendation, please use the information included here. Note that the total cost of the projects is \$1,200,000, but only \$600,000 is available without an unpopular tax increase. No additional funds can be obtained by cutting existing programs in the city's budget.

Within these limits, make whatever choice you think is best: Eliminate all the proposed projects and cut taxes; complete all the projects and raise taxes; or work out some combination either of project cuts and tax cuts or project cuts and tax increases. You can decide to cut out one part of a project and keep another part. For example, you can suggest hiring only one firefighter. Be specific about which projects, if any, will be cut and by how much taxes will be raised or lowered.

PROJECT EXPENDITURE TABLE : SUMMARY DATA

<u>PROJECT</u>	<u>COST</u>	<u>TOTAL PROJECT COST</u>
Firefighters		\$180,000
Station #1	\$60,000	
Station #2	\$60,000	
Station #3	\$60,000	
Day Care Center	\$120,000	\$120,000
Street Lights		\$120,000
Bramblewood	\$30,000	
Carlisle	\$30,000	
Cleveland	\$30,000	
Paxton	\$30,000	
Bridge Repair		\$480,000
3 <sup>rd</sup> St. Railroad Overpass	\$240,000	
River Road River Bridge	\$240,000	
Sewer Repair		\$240,000
Old West Side Storm Sewer	\$120,000	
Old North Side Storm Sewer	\$120,000	
Parks		\$60,000
Douglas Park	\$30,000	
Sbrochi Park	\$30,000	