

STATE OF THE CITY ADDRESS  
2012

This is my third State of the City Address to the citizens of Park Ridge. In both of my prior Addresses, I talked about the dire financial circumstances we faced because of budget pressures and the general state of the local, national, and world economy, a situation which has not measurably improved. Over the past two years, we have made great strides towards reversing years of irresponsible financial practices, principally through spending cuts, combined with modest increases in property taxes and user fees. It was my hope that the tighter controls on spending, a new and greatly improved budgeting process and the prospect of a small surplus in the General Fund for the current fiscal year, following a small surplus last year, would allow me to stand before you and strike an optimistic tone.

However, the pressures of increasing personnel costs and other fixed expenses in the immediate future reflect that the health of the City's finances still hangs in the balance. Questionable decisions and substantial financial commitments made by past city administrations, primarily tied to the Uptown TIF District, are finally coming home to roost; and the methods which provided the limited success we have achieved over the past two years will not be enough to cope with these additional future demands.

The concerns I have stressed over the past three years were confirmed through a report by Moody's Investors Service which recently evaluated the City's finances. Moody's downgraded our credit rating and assigned a "negative outlook" for the immediate future. Some may argue that the downgrade is insignificant since the City's new credit rating is the same as the last time it issued bonds. However, that argument ignores the substance of Moody's warning.

Prior to the 2010-11 fiscal year, the City's General Fund, its operating fund and effectively our savings account, experienced annual deficits for eight out of nine years. The lone

surplus posted during that period consisted almost entirely of proceeds from the sale of City land for \$6 million, money that is long gone. Between just 2007 and 2010, the City incurred deficits in the General Fund totaling nearly \$7 million. Despite the fact that we managed to achieve a balanced General Fund the last two years, Moody's report stated, "the downgrade...reflects the deteriorating health of the city's General Fund, coupled with substantial General Fund support for other funds." Moody's added that, "[t]he negative outlook reflects the risks associated with the weakened liquidity position in the General Fund and the negative fund balances in the Uptown [TIF] and Emergency Telephone Fund that require annual operating support from the General Fund."

Most disturbingly, Moody's warned that our future credit rating, and our fiscal health, are tied to the City's ability to manage its debt without further burdening the General Fund, and that the City's rating could decline even further if we continue to draw down our General Fund to support the Uptown TIF and the Emergency Telephone Fund debt. That would affect the City's ability and cost to issue bonds or borrow money in the future to finance major projects or deal with an emergency.

Under widely-accepted governmental accounting standards which were recently adopted as policy by the City Council, the City's General Fund should have an unassigned balance, meaning available cash balance, of approximately \$7.6 million. However, at the end of the past fiscal year, our General Fund had an available cash balance of only \$2.8 million. That is less than half of what the minimum balance should be. We will need to generate a surplus of \$1 million just to get to half of what the balance should be today, an extremely tall order. It should be of great concern to all that the City could be just one major emergency away from running out of money in the General Fund.

In fact, we do have a major emergency looming right in our face, and if we do not address it, we face the prospect of completely depleting what is left of our General Fund. The Uptown TIF already owes the General Fund \$5.4 million with no prospect of paying that back anytime soon. Over just the next five years, it is projected that the TIF will need to borrow an additional \$4 million from the General Fund, and the figure will balloon to \$7 million over eight years. And that frightening situation is only if the optimistic projections are borne out. If they do not, the figures will be even worse. Bearing in mind that we only have \$2.8 million available now, this looming crisis deserves everyone's attention.

We are well beyond talking about needs versus wants. We are now talking about how we, as a city, will address this crisis. For starters, it means that we will have to cut spending even more drastically than we have over the past few years. And, it is likely that spending cuts will not be enough, meaning that the City will have to find additional revenue just to make ends meet so that we are able to provide the basic essential city services that taxpayers rightfully expect to receive. It is simple math; if we do not do this, the General Fund will run out of money.

Our task will not be made any easier by our state government. The State of Illinois is widely regarded as one of the states in greatest financial peril. Our state government is in desperate straits and has begun looking to tap into municipalities' share of state income tax receipts to remedy a disaster of its own creation. And, like the TIF debt and the onerous pension obligations thrust upon us by the State Legislature, we will have little or no ability to affect what happens if the Governor and the State Legislature try to cut our share of income tax receipts.

What we can control is our discretionary spending. The increasingly limited resources we have must be used to defuse the ticking time bomb represented by the TIF debt and its effect

on the General Fund. The personnel and other spending cuts made over the past three years, while painful, were not enough to make a significant difference with our long-term problems. Although the City laid off more than 20 employees during that time, our personnel costs have actually gone up. The City's annual funding obligations for police and fire pensions doubled in just three years and quadrupled over the past five years, going from less than \$1 million five years ago, to \$2 million three years ago to almost \$4 million this year. Our costs for employee medical, dental and unemployment insurance increased by 50% in just two years, skyrocketing from \$2 million to \$3 million during that time. Controlling these costs is problematic because of union contracts and the need to have enough workers to provide essential city services. That means we must be even more diligent in reducing spending over which we do have control.

I have great respect for our police force and fully understand that the working conditions in the department are far from optimal. It would be nice if we had the money to fund all of the improvements proposed by the Police Task Force which are eventually determined to be necessary. But we simply do not. Sound budgeting principles require identifying priorities and utilizing limited resources to address those priorities. That is why I cannot support the proposal currently before the Council which contemplates increasing the City's vehicle sticker fee by 30% to fund the improvements. Simply put, any revenue enhancements through increases in property taxes and user fees, such as the vehicle sticker, should be used to support and enhance the General Fund and to address the TIF debt crisis, not for new spending projects unless those projects are absolutely necessary to help provide essential city services to the residents.

The same holds true for the ongoing and painful issue of contributions to community groups. I have great respect for the Center of Concern and the Maine Center for Mental Health, and I have enjoyed participating in their fundraising events. There is no question that those

organizations epitomize the spirit of volunteerism which makes Park Ridge a special place to live. I want to assure you that I have listened carefully and sympathetically to the many people who have raised objections, both at City Council meetings and around town, to cutting the City's funding to those groups. While I am fiscally conservative, that does not mean I oppose the funding because of some extreme political philosophy. Rather, my position is that we are facing an unprecedented fiscal crisis as a City that threatens the quality of life of everyone who lives here. Every financial resource we have at our disposal must be used to address the Uptown TIF debt and the dangerously low General Fund balance so we can pay for essential City services and keep the City running. I call upon those in the community who, like me, understand the value of those organizations to join me in supporting them through personal contributions to help offset the loss of City funding.

Economic development, by itself, will not solve our financial problems. However, continued development is essential to the City's long-term fiscal health. The newly-formed Economic Development Task Force is comprised of a wide cross-section of residents and business owners. I would like to see the Task Force come up with recommendations to the City Council on how to attract new businesses and make life easier for existing businesses, including recommendations on how improvements in the performance of our City staff and possible changes to our zoning ordinance can make it more desirable for businesses to locate here in town. We have seen a number of new businesses open up in Park Ridge over the past year, and there are some promising signs that the trend will continue. For our own sake, we must do everything we can to make Park Ridge a place where businesses feel welcome.

I also want to remind Park Ridge residents, once again, that "Shop Locally" is not just a catchy slogan. Two percent of every purchase made by a Park Ridge resident goes to the town

where the purchase was made. Therefore, residents can help the City's bottom line, and the viability of our local businesses, by doing as much of their shopping as possible right here in Park Ridge.

As we go forward, the overall performance of our City's management must improve. Park Ridge taxpayers pay a heavy price through property taxes and other fees. They expect and deserve highly competent and cost-conscious management and city services. The current management has fallen short of expectations in a number of departments, including Human Resources, Administration and the Community Preservation and Development Department. It is incumbent on the City Council to use those measures at its disposal to ensure that the situation improves quickly and dramatically.

Another important issue is the O'Hare expansion. Although the City has spent considerable time and money pursuing several avenues to address problems associated with the expansion, none of them have produced any significant success. We recently learned that the Federal Aviation Administration rejected our request for a Supplemental Environmental Impact Study, despite the fact that the request was supported by our congressman. As of today, the residents of the City do not appear to be of one mind in how to deal with the problem. In the coming weeks, I will ask the Council to re-evaluate how the City is dealing with O'Hare and whether that should be changed going forward. Meanwhile, we will do what we can to encourage that the Fly Quiet program, which focuses on late night flights, is enhanced and becomes mandatory instead of voluntary as it is today.

Despite the dire financial circumstances and other challenges we face today and in the foreseeable future, there have been many positive developments this past year which reflect what can be accomplished when people work together toward a common goal. For many years, the

City's sewer infrastructure was neglected while incidents of flooding increased. Lip service was paid by elected officials about addressing the problem, but nothing was ever done. To its credit, this Council has done what prior councils were unwilling or unable to do: it has restored funding for sewer maintenance and approved a long-term plan which at least begins to address our chronic flood control problems.

We cannot say that these projects will address all of the flooding issues in town, and it is a fact that it will take time before the positive effects are realized, even in those areas which are targeted for projects. However, there is no question that the problem is finally being addressed in a comprehensive manner, a positive development for the City as a whole. I hope the community gives special recognition to the tireless efforts of the members of the Flood Control Task Force who spent countless hours of their personal time exploring the issue and assisting the City staff and our outside consultants to come up with the plan. The effort put forth by the Task Force members reflects the spirit of "can-do" volunteerism which is a proud hallmark of our City.

We have also made great strides in making government more transparent. At my request, the City's staff has undertaken the challenge of meeting the 10-point transparency check list issued by the Illinois Policy Institute. At the request of the Council, the City submitted itself for an evaluation by the Institute, and we recently learned that Park Ridge is in the top 20% of all communities evaluated by the Institute, a great accomplishment. Over the course of the year, the City has greatly enhanced its use of the web site to provide vital and other useful information to residents. We are continuing to look for different ways that we can increase our use of the website and become even more transparent and resident-friendly.

Additionally, there been another welcome development with respect to transparency in government. The new City Council has shown an increased willingness to discuss matters in open session which prior councils took for granted should be discussed behind closed doors. As I have often said, the use of closed sessions has been abused for years by government at all levels, and it is a welcome sign that the Council has begun to break that pattern. However, we can do better. Labor union negotiations should no longer be conducted in secrecy. Union contracts are the single biggest City expense that taxpayers are asked to bear. It is wrong that discussions regarding that expense are not open to the public. As the Council continues working towards adopting a policy statement which governs labor union negotiations, we should make sure that the real parties in interest, the taxpayers, are provided with meaningful information during the process.

We have also made progress in holding Commonwealth Edison more accountable for the poor service it has rendered to our residents over the past few years. Pursuant to my request, the Director of Public Works established a program which intakes and tracks resident complaints which are then forwarded to Com Ed for resolution. The Director reports that Com Ed has scheduled several projects in problem areas, and he will continue to monitor Com Ed's progress and report that progress to the Council on a regular basis.

Additionally, the Northwest Municipal Conference, an association of municipalities of which Park Ridge is a member, is working on an agreement with Com Ed to establish protocols for handling large outages which result from weather incidents and to improve the dissemination of information to both municipalities and residents. We have no way of knowing whether these measures will actually improve the situation until the electrical infrastructure is tested by the weather. However, Park Ridge residents can rest assured that their city government takes this



matter very seriously and will continue to diligently monitor and insist on improvement in Com Ed's performance.

Another positive development is a reduction in crime to a five-year low despite cutbacks in Police Department staffing. Residents can help continue this favorable trend by keeping their homes and cars locked. As Police Chief Kaminski recently reported, a significant percentage of property crimes in the City involve unlocked homes and cars. Locking doors and windows is an easy way for residents to help make the City even safer.

I am also pleased that the City's abundant artistic, architectural and historical heritage is receiving increased and well-deserved attention. Coming on the heels of the City's very successful Centennial Celebration which was enhanced by the efforts of the Park Ridge Chamber of Commerce and others, the Park Ridge Historical Society is set to reopen in a beautiful new facility, and the Historic Preservation Commission has been hard at work processing applications from property owners for historic designation. As of today, the Council has approved historic designations for seven properties with significant historic value, including the Pickwick Theater, the Clute House and the Towne of Maine Cemetery, as well as three single family residences.

However, in my opinion, the most important achievement this past year was accomplished by the many citizens who undertook what appeared at first to be an impossible task, raising enough money to purchase the property at the corner of Elm and Northwest Highway which formerly housed Alfonso Ianelli's studio. Despite the long odds, the Kalo Foundation and other members of the community pulled together and raised the necessary funds, without any help from the taxpayers, to buy the property and begin restoring it so that it can be used as a cultural arts center and a tourist attraction. This effort is another great example of the volunteer spirit which makes Park Ridge such a great community to live in.

In conclusion, we have many things to be grateful for and proud of here in Park Ridge. However, we remain in serious financial jeopardy, and we must accelerate our efforts to achieve fiscal responsibility or else we will quickly lose the small progress we have made over the past two years. I look forward to working with the City Council to take those measures necessary to accomplish the task.

O:\DFS\CITY2012\STATE OF THE CITY ADDRESS.doc