

MAYORAL BUDGET VETO MESSAGE - 2012

The budget recently passed by the City Council is the third since I took office. In the past two years, we have been able to reverse the tide of multi-million dollar deficits in our General Fund – the City’s operating fund which pays the day-to-day expenses – by posting a modest \$35,000 surplus in the fiscal year ending April 30, 2011, and we are currently forecasted to post another General Fund surplus for the current fiscal year of approximately \$233,000. The just-passed budget for the upcoming fiscal year projects yet another surplus of approximately \$462,000, the highest operating surplus in many years.

Those are all good and promising developments. Unfortunately, they are not nearly enough to solve our continuing fiscal crisis.

I will repeat once again the recent warning given to us by Moody’s Investor’s Service: despite two years of surpluses in the General Fund, the City’s overall financial condition *has actually deteriorated* because of the need for the General Fund to loan millions of dollars to other City funds that were supposed to be self-supporting, but are not – especially the Uptown TIF Fund which continues to be a financial albatross around the City’s neck and will remain so for the foreseeable future.

Additionally, the General Fund cash balance is projected to drop to a critically dangerous level of \$1.6 million by April, 2015 – and that is *after* factoring in the tentative 11% property tax increase over the next 2 tax levies. As things currently stand, even if future General Fund budgets are “balanced” (that is, the revenues simply equal expenses, with no projected annual surplus), the General Fund *will run out of money*, primarily because of the need for it to continue to loan its cash to the Uptown TIF Fund.

Admittedly, this dire forecast is based on current financial projections for the Uptown TIF Fund that could change. But based on the City’s historical and current actual performance,

the City would have to see a significant and likely unrealistic increase in Uptown TIF property tax revenues for such a change to occur. And let me be perfectly clear here: this is not just one of those theoretical possibilities you hear about from time to time, like the possibility that Social Security may go bankrupt thirty-five years from now. This is a real and imminent threat which demands our attention **now**, not some time down the road.

Every day we on this Council fail to address this problem and postpone the day of reckoning, the harder the fall will be when that day of reckoning finally comes. That is why this problem cannot be left for future City Councils to address.

Each of the elected officials seated in this Chamber today asked the taxpayers for the privilege of representing them on this City Council. Formulating and adopting budgets is perhaps the single most important responsibility we have. So when it comes to the taxing and spending of public funds, our overarching duty and responsibility is to the taxpayers who provide those funds. And make no mistake about it: at this time and in these circumstances, those taxpayers need us to be, as Thomas Jefferson instructed over 200 years ago, “wise and frugal” as never before.

That brings me to the budget most recently passed by this Council. This is the first full budget formulated and adopted entirely by the current Council, and it is by far the best budget this City has seen in many years. All of you aldermen are to be congratulated for the hard work you contributed to the task.

However, despite all that has been achieved with this new budget, the process cannot be considered “successful,” because that \$460,000 budgeted surplus in the General Fund will not be nearly sufficient to offset the Uptown TIF’s drain on the City’s overall cash-on-hand balances in the coming year.

As the budget currently stands, the General Fund's projected 2012-13 surplus will be more than wiped out by a projected \$772,000 deficit in the Uptown TIF Fund and additional projected negative fund balances in the IMRF, Municipal Waste and Emergency Telephone funds, totaling a combined \$882,000. These deficits will result in cash shortages which must be temporarily covered by other funds – principally the General Fund – that will require future tax and fee increases to restore them to positive balances. Meanwhile, the unassigned General Fund cash balance is projected to be further depleted to \$2.7 million this coming year, and will continue its slide into the abyss unless we address the problem here and now.

In an effort to help this Council do just that, I am again exercising my line item veto authority over those expenditures which should be eliminated so that the taxpayers get the genuinely balanced and financially sound budget they deserve – one which provides the City services they expect in the most cost-effective manner possible so as to reduce the size of the property tax increases that may be needed in the future.

The first and most significant veto involves the line item for the planned renovation to the police station, including the demolition of the city-owned house at 229 South Courtland and the construction of a replacement structure found on page 183 of the draft final budget. As I have said before, I respect and admire the men and women of our police force. Despite a reduction in manpower, they have not missed a beat in serving and protecting the City's residents. And they have done so from the current facility, which we all recognize is far from optimal.

Nevertheless, spending \$1.2 million or more over three years to renovate the current facility and build a new structure while the City is still reeling from the continuing financial crisis seems extremely counterintuitive in the face of a crime rate that has actually, and happily, declined to its lowest level in many years. And to the average taxpayer, it justifiably would appear to be irresponsible and yet another example of government spending priorities gone wild.

Worse yet, the adoption of this new police facility project was a rush to judgment which received only the most cursory City Council vetting and debate about the actual need for such a project, the priorities of its three phases, and the wisdom of such a significant expenditure at this time. For example, the most “necessary” element of the police facility project would seem to be mold remediation, which has been identified as a constant health threat to employees. Yet, under the current plan, that problem will not be addressed for three years while a sally port and a bike corral get immediate attention. Even if the proper vetting had occurred and the proper priorities were established, however, it still would not alter the harsh reality of the City’s financial condition.

Most taxpayers well know from managing their own household finances that, when your cash flow is tight and your debt is heavy, you conserve cash, try to reduce your debt and limit spending to absolute essentials. Those taxpayers have every right to expect that their elected officials will employ a similarly conservative philosophy. That is why, in my judgment, the City is better served if the \$361,500 budgeted for Phase I of the police facility project remains in the General Fund to help offset the expected drain on that fund balance by the Uptown TIF. I hope you aldermen will agree.

The next veto involves line items for the budgeted 2% raise for non-union employees. Like the 3% across-the-board raise for non-union employees approved by this Council over my veto last year, this raise is also across-the-board for all but those employees whose performance is determined to be less than “acceptable.” Not only are across-the-board raises bad management policy, but what amounts to a cumulative 5% raise for those non-union employees over the most recent consecutive two-year period effectively establishes a benchmark target raise for our unionized employees to use in future negotiations.

In recent years the City has foolishly allowed itself to get drawn into a continually-escalating employee compensation spiral that effectively makes the unionized and non-unionized employees allies in a joint effort to squeeze more money out of the taxpayers. Some of the elected officials seated here have allowed themselves to become accomplices to that joint effort at the expense of the taxpayers. That must stop, which is why I am vetoing these raises and will be asking this Council to direct City negotiators to hold the line on raises for unionized employees as well.

This is not intended as an attack on City employees. Rather, it is intended to serve as a pointed reminder to them and to all of our residents of the fact that those employees already enjoy wages comparable to the private sector, but also pensions and job security that are the envy of their private sector peers. Consequently, this Council needs to take a stand against spiraling personnel costs, and I will help it do so by vetoing the original \$49,930 in budgeted raises and the additional \$19,445 of raises voted for by the Alderman on April 2, for a total expenditure of \$69,375 from the General Fund, which figures can be found on page 29 of the draft final budget document posted on the City's website; and another \$1,745 of expenditures from the Water Fund, found on page 42 of the draft final budget.

Finally, for reasons I have mentioned on numerous occasions, I am vetoing the \$49,500 budgeted expenditure for the Center of Concern, which can be found on page 58 of the draft budget. It is well past the time for that fine organization to wean itself from the public trough and increase its efforts at private fundraising directly from the taxpayers themselves.

As I considered the budget, I was fully prepared to render a long list of line item vetoes regarding training and membership expenses which staff has designated as "discretionary." Although I cannot see how we can justify spending money on non-essential training and organization memberships, the City Manager failed to meaningfully distinguish those various

“discretionary” expenditures in a way that permits me to make an informed veto decision. So I will defer to the Council’s budgetary decision on this item, but only with the strong admonition to the City Manager and all staff personnel that a year from now I intend to ensure that the taxpayers are paying for only those training and membership expenses that are absolutely essential or legally required for those employees to perform the duties of their employment.

Meanwhile, I am directing that the issue of budget amendments in the area of training and membership expenditures be placed on the next Finance and Budget Committee agenda as a discussion item. I am also directing the City Manager to come to the Committee meeting next Monday with proposed cuts totaling at least 50% of those training and membership expenditures which he, himself, told the Council are discretionary. I hope and expect that the alderman will stand behind me on this.

Finally, I am directing that creation of a policy for training and membership expenditures be added to the next Procedures and Regulations Committee agenda as a discussion item and that the City Manager have a proposed policy ready to discuss at that meeting.

In conclusion, the line item vetoes outlined above total \$480,375. If these vetoes are sustained, the projected General Fund surplus will increase from \$462,000 to over \$940,000 for the upcoming fiscal year which will help offset the Uptown TIF’s drain on the General Fund balance and, hopefully, will reduce the need for a double-digit percentage property tax increase this coming Fall. That is my goal, and that is the reason I will be seeking this Council’s endorsement of these vetoes on May 7.