



March 1, 2010

To: The Honorable President Wilma D. Brown and Members of City Council

From: Michael P. Bell, Mayor

Subject: **Balanced General Fund Budget Proposal**

When I took the Oath of Office as Mayor, I pledged to the citizens of Toledo that I would address the fiscal crisis our City faced. Today, as I begin my ninth week in office, I present to you for consideration a proposal that balances the General Fund Budget in 2010. As I have said throughout my term, this proposal will require shared sacrifice from our employees and our citizens.

Our City has suffered from the economic decline experienced by the region, state and the nation. We are not alone. Cities and states all across America are facing the tough choices to balance budgets in a period of deep recession. In Toledo we have seen our annual unemployment rate skyrocket from 6.4 percent in 2007 to 12.5 percent in 2009. As unemployment rises, our income tax revenues fall proportionately.

When I took office in January, I inherited a budget deficit that turned out to be nearly \$48 million by the time the 2009 books were closed. This shortfall is unprecedented in the history of the City of Toledo. The deficit consisted of \$39.0 million in proposed 2010 expenditures over a realistic revenue estimate of \$202.3 million, and \$8.5 million in carryover deficit from 2009 (which includes nearly a \$1.8 million deficit carried over from 2008 to 2009).

My Administration has been working from day one on means to address Toledo's fiscal crisis. The General Fund Budget proposal I submit to you today calls for over \$10 million less in expenditures in 2010 as compared to 2009. Every Department and Division has contributed to the reduction of expenditures. Still, more needs to be done to balance the 2010 General Fund Budget.

A so-called "easy" solution is to simply lay off employees. As the attached chart indicates, Toledo has the smallest number of employees per thousand residents in Ohio, and ranks twelfth out of thirteen regional cities surveyed in terms of employee to population ratios. Cutting employees means cutting services. To balance the budget by cutting people is not an option, as we would be forced to drastically reduce the number of police officers and firefighters (along

with other employees), resulting in longer response times and closed fire stations. As someone who has dedicated the majority of my career to protecting the public, I cannot in good conscience offer this as a solution to our budget problem. Instead, this Budget proposal includes a class of 30 police officers starting in September 2010.

The fact is that the citizens of Toledo cannot afford the labor contracts negotiated by the previous Mayor and approved by Council in 2008 and 2009. Those who pay our salaries have suffered from this recession. Many have experienced pay reductions, higher costs for their medical coverage, reduced hours, and in the most severe cases, loss of a job. It is time for our City employees, union and management, to bear a portion of the burden of getting the City out of this financial crisis.

To this end I have asked our employee unions to eliminate the practice of having the taxpayers pay their share of the cost of their pensions ("pension pickups"). This is no different than a business asking their employees to contribute a fair share toward the cost of their retirement program. I have also asked our employees to increase the amount they pay toward their medical insurance coverage. Currently the majority of our employees pay an amount ranging from \$25 for single person coverage to \$55 for family coverage per month. These figures are far below private sector norms and the average public employee statewide.

I am asking our employees to raise their contributions per month to a range of \$35 to \$180 based on their annual pay. Combined with the elimination of payment of the employee share of their pensions, this will reduce General Fund expenditures by \$8.87 million in 2010 if enacted by April 1, 2010.

I had hoped that our employees would recognize the need to contribute toward the challenge of balancing the budget by agreeing to these reasonable concessions. Instead, some labor leaders responded to my request by saying they have already given up enough. In yesterday's *Blade* an attorney who represents both our police officers and firefighters indicated in an opinion piece that a **raise** is in order for public safety employees, completely ignoring the stark reality of the City's economic situation.

Tough times call for tough decisions. Therefore, today I have submitted to City Council a series of ordinances declaring the existence of exigent circumstances based on our financial condition. This legislation calls for the elimination of pension pickups and imposition of increased employee contributions for health care. These measures will apply across the board to all union members as well as exempt employees, including me.

Even the reduction in expenditures and employee givebacks do not, by themselves, solve Toledo's budget crisis. Regrettably, I must ask the citizens of Toledo to bear a portion of the burden of getting the City out of our financial morass.

Legislation will be presented requesting that Council approve a \$15 per month fee for refuse service, regardless of whether one recycles or not. This proposal will achieve the goal of establishing an enterprise fund to cover the cost of picking up and disposing of refuse. I am also asking for the elimination of the income tax credit for persons who live in Toledo, but work elsewhere. In some cases, these citizens enjoy the police, fire and other services provided by the City without contributing a penny from their paychecks, unlike others who live and work in Toledo. Finally, I ask that Council impose a ticket tax of 8 percent on professional sports, concerts, and entertainment venues.

I fully realize that these are not popular proposals. If it were not for the fact that we cannot afford the employee contracts approved in the past two years, and the fact that I inherited a budget with a nearly \$48 million deficit, these drastic measures would not be needed. If the voters give us the flexibility to move money from the CIP Fund to the General Fund these increases in revenue can be revised downward.

The balanced General Fund Budget proposal I submit today includes significant cost reductions from both the Toledo Municipal Court and the Clerk of Courts. I reached out to this co-equal branch of government by explaining the financial plight the City faces and asking them to review their budgets in detail for savings. In the span of one week the Court system responded with measures to help address the budget deficit. I commend Presiding Judge Timothy Kuhlman and his judicial colleagues, Clerk of Court Vallie Bowman-English, and their staffs for their cooperation in meeting this challenge.

No Mayor, nor members of his or her Administration, has all the answers to solving a budget crisis. This is why I asked citizens of our region to serve on the Citizen's Special Investigation (CSI) Team to help me come up with ideas, both in the short and long term, to change the way the City of Toledo does business. I also recruited citizens to serve on a Transition Team to provide suggestions on how to turn the major objectives of the platform I ran on as Mayor into an action plan to guide this City into the future.

With facilitation by Dr. Steve Cady of Bowling Green State University and former President of Council Louis Escobar, the CSI and Transition Teams have contributed countless hours and hundreds of suggestions on not only how to deal with the budget, but make Toledo a better place in the future to live, work and play. I thank them for their dedication to this task. In the end, however, it is the Mayor who must take the responsibility for submitting the proposals I submit to you today.

I recognize and respect the role of Council as the stewards of the public's money. It is my duty to submit to you a balanced budget proposal. The General Fund portion of the 2010 Budget is now before you, and the detail for the remaining funds, which are not in danger of deficit, will be presented shortly. It is Council's duty to carefully and thoughtfully consider and deliberate this Budget proposal as you work toward your Charter-mandated goal of adopting a balanced 2010 Budget by March 31, 2010.

Attached to this memorandum is detail on the particulars of my 2010 General Fund Budget proposal. You will not agree with everything that I have proposed. The democratic process that has served our City well for nearly 175 years requires give and take between the executive and legislative branches of government. I and members of my Administration stand ready to work closely with Council as you determine the best means to balance the 2010 Budget.

While you debate my 2010 General Fund Budget proposal I have one simple request. If you do not approve of the specific measures I have proposed, be prepared to offer an alternative that either reduces expenditures or increases revenues to offset the items you are not willing to adopt. If you do not accept my proposals I will leave it to your discretion to determine where cuts and layoffs must occur in order for programs and services to come in line with revenues.

Last Friday senior members of my Administration participated in a conference call with Fitch, Inc., an international bond rating agency. Fitch has been watching with interest the news reports regarding the City's General Fund Budget difficulties, even though their involvement with Toledo is limited to rating utility bonds (which presently enjoy an A+ rating from Fitch). They

were concerned that the City's deficit problems would lead to a raiding of utility funds to balance the budget. We provided Fitch with assurances that the City would get its General Fund Budget house in order, and that they do not have to be concerned about the thought of the City defaulting on its obligations.

This call with Fitch is a sobering reminder that the decisions we make as we balance the 2010 Budget have ramifications far outside the borders of our City. We must show our citizens and those with whom we do business that we have the willpower to make the tough decisions to resolve this fiscal crisis.

There are significant consequences to our collective failure to adopt a balanced 2010 Budget by March 31, 2010. We have talked about the dangers of fiscal watch and fiscal emergency, the difficult to understand budget deficit thresholds that must be met, and the timing of such, to place the City under oversight of the State Auditor's Office.

An expedited path exists in Ohio for the declaration of a fiscal emergency. In the event that the City of Toledo is not able to meet its payroll for a period of thirty days, the State Auditor can declare - or the Mayor, or Council by legislative action can request - that the City be determined to be in a fiscal emergency.

Under fiscal emergency, a seven person Financial Planning and Supervision Commission is created consisting of the State Treasurer and Director of Management and Budget or their designees, three persons appointed by the Governor, and the Mayor and President of Council. This Commission has the ability to approve or reject a plan submitted by the City to eliminate the fiscal emergency. In essence, the financial decisions of the Mayor and Council are subservient to the powers of this Commission. We must do all in our power to avoid placing our City in fiscal emergency and maintain our sovereignty.

Over the course of this month we will face many challenges as we balance the 2010 Budget. There are no easy answers. I am both optimistic and confident that, by working together in a cooperative and respectful manner, we can resolve the financial crisis our city faces and continue to provide the services our citizens expect and deserve.



Michael P. Bell
Mayor

MPB:lj

Attachments

Employees Per Capita - Major Ohio Selected Cities in Region

2-3-10

City/Ohio & Michigan	Total # of City Employees as of 12/09	Population Data Per 2008 Census	Employees Per 1000 Population
Toledo	2,641	316,851	8.3
Akron	1,969	207,510	9.5
Canton	937	78,362	12.0
Cincinnati	6,340	333,336	19.0
Cleveland	8,755	433,748	20.2
Columbus	7,900	754,885	10.5
Dayton	2,063	154,200	13.4
Youngstown	773	72,925	10.6
Indianapolis, IN	7,500	798,382	9.4
Louisville, KY	7,453	256,231	29.1
Pittsburgh, PA	3,549	310,037	11.4
Grand Rapids, MI	1,560	193,396	8.1
Kalamazoo, MI	784	72,179	10.9

City of Toledo
 2010 Amended Proposed Budget
 General Fund Analysis
 February 27, 2010

Fund	Division	Number of Employees	Personnel Services	Non-Personnel	Total
01-GENERAL FUND	0100-CITY COUNCIL	20.50	1,263,041.50	131,813.17	1,394,854.67
	0200-OFFICE OF THE MAYOR	4.75	468,315.85	201,310.53	669,626.38
	0300-AUDITOR	1.00	102,579.07	12,896.96	115,476.03
	0400-PLANNING COMMISSION	3.25	279,842.25	48,694.04	328,536.29
	0700-AFFIRMATIVE ACTION	4.75	360,287.85	17,395.03	377,682.88
	0800-MUNICIPAL COURT JUDGES	88.11	5,541,409.39	2,058,321.98	7,599,731.37
	0900-CLERK OF MUNICIPAL COURT	89.82	4,956,581.03	232,618.63	5,189,199.66
	1050-BOARD OF COMM RELATIONS	1.00	103,835.89	13,265.89	117,101.78
	1110-FINANCIAL ANALYSIS	3.66	320,800.39	10,343.73	331,144.12
	1120-GENERAL FUND UTILITIES			3,872,953.08	3,872,953.08
	1200-LAW	25.58	2,069,124.45	376,337.35	2,445,461.80
	1300-YOUTH COMMISSION			354.00	354.00
	1410-FINANCE ADMINISTRATION	2.00	191,031.19	44,289.56	235,320.75
	1420-TREASURY	3.75	273,939.41	99,901.29	373,840.70
	1440-TAXATION	22.77	1,564,138.83	526,357.17	2,090,496.00
	1460-ACCOUNTS	18.29	1,542,206.21	516,668.58	2,058,874.79
	1470- ERP PROJECT TEAM	3.88	328,445.69		328,445.69
	1480-DEBT MANAGEMENT			3,489,729.36	3,489,729.36
	1610-H N R ADMINISTRATION			9,682.34	9,682.34
	1620-HOUSING DIVISION	1.80	104,355.96	53,613.48	157,969.44
	1640-ECONOMIC DEVELOPMENT	0.55	56,543.61	771,146.36	827,689.97
	1650-NEIGHBORHOOD DIVISION			156,215.50	156,215.50
	1680-DEMOLITION	6.25	443,654.64	371,265.74	814,920.38
	1710-HUMAN RESOURCES	13.11	956,160.82	204,193.13	1,160,353.95
	1770-PURCHASING AND SUPPLIES	4.00	300,565.92	25,767.20	326,333.12
	2310-STREETS BRIDGES & HARBOR	0.40	36,624.85	(0.00)	36,624.85
	2410-REFUSE COLLECTION	74.90	5,605,708.58	2,021,913.36	7,627,621.94
	2450-WASTE DISPOSAL	9.84	791,024.39	3,444,005.95	4,235,030.34
	2610-FACILITY OPERATIONS			375,762.35	375,762.35
	3500-ENGINEERING SERVICES	1.55	106,185.07	16,056.31	122,241.38
	3800-ENVIRONMENTAL SERVICES	1.85	157,519.54	81,537.40	239,056.94
	5100 - PUBLIC SAFETY ADMINISTRATION	1.00	120,887.86	11,386,587.50	11,507,475.36
	5200-POLICE	732.04	68,964,579.98	5,851,882.76	74,816,462.74
	5300-FIRE	503.73	58,842,446.16	3,547,386.85	62,389,833.01
5630-BUILDING INSPECTION	20.51	1,588,068.15	261,197.79	1,849,265.94	
6010-NATURAL RESOURCES ADM	0.50	26,511.53	119,511.30	146,022.84	
6030-RECREATION	7.00	401,321.01	659,842.80	1,061,163.81	
6050-PARKS & FORESTRY	8.85	766,973.08	1,202,550.76	1,969,523.84	
8980-GEN'L NON-DEPT SERVICES		(700,667.80)	33,280,552.65	32,579,884.85	
01-GENERAL FUND Total		1,680.99	157,934,042.36	75,493,921.88	233,427,964.24

City of Toledo
2010 Amended Proposed Budget
General Fund Revenue Analysis
February 27, 2010

Acct. Code	Description	2010 Proposed Amended Budget	2010 Current Estimate Finance Dept	Black & Smirnov 2010 Income Tax Estimate	
				Low	High
6010	Withheld Income Tax	126,644,088.00	117,655,504.00	*	119,289,740.00
6030	Business Income Tax	15,173,742.00	12,546,077.00	*	11,083,738.00
6050	Individual Income Tax	5,357,170.00	5,898,623.00	*	4,810,503.00
Income Tax Subtotal		147,175,000.00	136,100,204.00	129,004,561.00	135,183,981.00
6110	Real Est/Util Tax	11,932,353.00	11,932,353.00		
6115	Real Est/ Pol & Fire	2,400,804.00	2,400,804.00		
6210	Estate Tax	4,000,000.00	4,000,000.00		
6140	Pers Prop Tax Reimb	1,994,734.00	1,994,734.00		
6280-					
6290	JEDZ Income	1,032,000.00	1,032,000.00		
6310	Local Govt County	12,720,692.00	12,759,508.00		
6320	Local Govt State	2,218,747.00	2,509,521.00		
6200	Other Taxes	847,138.00	847,138.00		
Other Tax Subtotal		37,146,468.00	37,476,058.00		
6400	Permits	1,544,035.00	1,544,035.00		
6500-					
6600-					
6700	Licenses / Fees	5,365,380.00	5,365,380.00		
6800	Court Costs / Fees	5,079,871.00	5,079,871.00		
6900	Other Fees exclude EMS	540,397.00	540,397.00		
6925	EMS Fees	3,287,667.00	3,287,667.00		
7000	Other Fees / Charges	7,259,063.00	7,259,063.00		
7050	** Refuse Collection Fee	0.00	2,000,000.00		
8000	Other Revenue	3,617,913.00	3,775,173.00		
License Fees / Other Revenue Subtotal		26,694,326.00	28,851,586.00		
TOTAL 2010 GENERAL FUND REVENUE		211,015,794.00	202,427,848.00		

* This methodology only provides a total revenue forecast

** Projection is based on currently scheduled fee decrease to \$10/\$0 and anticipated increase in recycling participation.

City of Toledo
2009 General Fund Deficit Projection
as of March 1, 2010

(1,796,525) Opening Fund Balance

236,915,779 Projected 2009 Revenue

243,577,191 Projected 2009 Expense

(6,661,411) Projected 2009 Deficit

(8,457,937) Total 2009 Fund Deficit

Revenue

141,553,952	Inc Tax Projection
18,072,694	Property Tax
4,189,112	Estate and Other Taxes
15,269,029	Intergovernmental Revenue
5,088,278	Fees, Permits, Licenses and Inspecc
4,761,590	Fines, Forfeits, and Court Costs
4,009,505	Charges for Services and Rentals
12,430,113	Admin Fee & Other Charges for Services
983,360	Interest
1,825,853	Transfers In
19,057,294	Other
<u>9,675,000</u>	Garbage Carts for Automated Refuse Pick-up
236,915,779	

Expense

90,121,047	Regular Wages
5,788,652	Overtime
3,115,521	Other Salaries & Wages
17,297,747	Medical Costs
31,810,584	Other Fringes
1,884,032	Supplies
36,690,907	Contractual Services
19,740,855	Capital Outlay
24,224,270	Transfer Out
2,724,291	Other
(300,000)	Compensated Absences
50,000	Additional Internal Service Chargebacks
503,262	Automated Truck Accrual
1,882,057	Refuse Cart Accrual
<u>8,043,965</u>	Projected CIP Transfer
243,577,191	