The 2010 City of Chicago Budget Vote, December 2, 2009

by Alderman Scott Waguespack, 32nd Ward

With eleven other aldermen, I voted "No" on the Mayor's proposed 2010 budget this week.

Events of this decade have contributed to the most severe financial meltdown since the Great Depression. States and municipalities all across the US are struggling with dwindling revenues and surging demand for public services as more and more of our neighbors lose their jobs and their homes. This severe downturn has unearthed the unfortunate truth that the City of Chicago's finances are in a state of disarray.

Unlike most other major U.S. cities, Chicago finds itself with no true reserve fund; ours was at a mere $225,000 for 2009. The City's first responder pension funds are drastically and continually under-funded and there is no plan in place to adequately fund them. In the meantime, we are not hiring the police officers needed. We are cutting support for the small business community, which is especially egregious when you realize how much these businesses pay the City for licensing and fees. No amount of unpaid furlough days imposed on city workers will fix the City's recurring budget woes.

Such dire circumstances present us with two basic options. 1) We can meet the problems head on and fix our structural operating deficit, develop a plan to reform and fund our public pension system, and create a true reserve fund that provides a genuine "rainy day fund" that replenishes itself; or 2) We can continue on the same course that has lead us to our current position by raiding the proceeds of the City's asset lease deals and defer the problems to future taxpayers to sort out. Unfortunately, the Mayor's budget approved by the City Council on Wednesday takes the second approach.

I voted against the mayor's $6.1 billion 2010 budget for multiple reasons.

For one, it uses parking meter privatization proceeds as the primary means of fixing a shortfall of over $500 million. Mayor Daley insists that this budget contains no new taxes but the City budget is going up, which means our taxes are going up.

We need to seriously re-evaluate our City's fiscal policies. We need to build real reserves and not consider one-time sales of public assets as a means to get out of short-term problems caused by structural deficits. We need to prevent rampant spending, make a serious effort to cut waste within City departments, and come up with comprehensive strategies that extend beyond the end of this fiscal year. We must find a new vision for our City that is not based on selling off public assets that were built with hard-earned taxpayers' dollars.

Tax Increment Financing (TIF) can play an important role in the City's financial package. But, when TIF policies are obscured and the use of funds lack oversight, critical monies are drained from the city's general operating budget. The Republic Windows TIF affair led some of us to insist on greater transparency in the management and spending of the city's TIF funds but more needs to be done.

In essence, asset lease deals like the parking meter lease are a form of long-term debt. Rather than giving the City a series of future payments, these lease deals forego that future revenue for an immediate infusion of funds. A prudent rule for sound municipal financial management is to never borrow to fund operating expenses. This budget breaks this basic rule on an unprecedented scale. Together with Skyway funds, and a termination fee from the failed Midway Airport deal, the City had cobbled together about $2.2 billion. When this budget is implemented there will only be about $770 million of these funds left in the City coffers. With the overall fiscal outlook for next year being worse than this year's conditions, it isn't hard to imagine that the remainder of these funds could be expended by the end of 2011. By spending the majority of the proceeds from these 75 and 99 year leases within a few short years, to say we are mortgaging the future of this City is an understatement. Currently, there is not a written plan on the table to "replenish" these funds.

Critics of those of us who voted against this budget challenge us to propose alternatives. I have consistently proposed options designed to get our financial house in order. In October, as in the previous two budget votes, I was looking for cost savings measures and policy changes that would prevent increases in the budget. However, when the Mayor announces his intent to rely on the lease proceeds, hold all taxes and fees at their current levels, and actually increase spending despite plummeting revenues, the opportunity for needed reforms is all but lost.

The negative implications of this budget are already materializing. In October, shortly after the proposed 2010 budget was released, Fitch Ratings downgraded its outlook for the City from "stable" to "negative," which is a precursor to downgrading the City's credit rating. Reductions in the City's credit rating have the capacity to overwhelm the proceeds generated by the City's asset lease deals as a result of higher borrowing costs for the City.

One-time solutions of selling off public assets are wrong and must stop before we mortgage our way to insolvency. We may not have all the answers, but City Hall and the City Council must reform our fiscal policies to place Chicago on sound footing for our future.