

Financial Times

US city council files for bankruptcy

By Michael Mackenzie in New York

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The city council of Vallejo in California late on Tuesday voted unanimously to file for bankruptcy, sparking a downgrade on Wednesday in some of its municipal bonds and prompting fears that other cash-strapped local governments might emulate it.

Vallejo, near San Francisco with a population of 117,000, faces an estimated \$16m budget deficit for the fiscal year that starts on July 1. This comes amid a decline in tax revenues related to falling house prices coupled with rising salary and pension costs.

The council has been unable to persuade public employees to accept changes in their existing labour contracts at a time when California has been hard hit by the slump in housing and as the state faces a potential \$20bn budget deficit.

Vallejo's decision to seek bankruptcy means a judge will now become involved and that might yield concessions from labour unions.

Bond investors said the bankruptcy filing was a relatively minor matter but could reflect the start of a trend with costly implications for holders of municipal debt.

"Vallejo is an isolated case and a small issuer in a large market," said Stephen Galiani, municipal bond fund manager at Wells Fargo. However, he said that, if the economy and the housing market continue to deteriorate, "other cities in California could get close to the edge".

S&P lowered its underlying rating on revenue bonds linked to motor vehicle licence fees to B from a prior rating of A. S&P also lowered Vallejo Public Financing Authority revenue bonds, issued on behalf of the Vallejo-Glen Cove Community Assessment District to B from A-.

The \$10.8m of debt was placed on CreditWatch with developing implications.

S&P said: "Pending a bankruptcy court decision or confirmation from the state that funds for the payment of the bonds will be directed to the trustee directly, timely payment of bonds could be compromised."

The last city in California to file for bankruptcy was Desert Hot Springs in 2001 while Orange County sought protection from creditors in 1994 after making poor investments with interest rate derivatives.

Financial Times

California weighs up tax on high earners to plug \$20bn budget deficit

By Matthew Garrahan in Los Angeles

Published: May 8 2008 03:00 | Last updated: May 8 2008 03:00

California state legislators are considering radical revenue-raising measures including a new services levy and a temporary tax on high earners to address a budget crisis that has spiralled into a \$20bn (€12.98bn, £10.1bn) deficit.

Swingeing spending cuts have been proposed, including controversial cuts to the education budget. But with Governor Arnold Schwarzenegger expected to announce next week that the deficit has grown from \$7bn to \$20bn, pressure is growing for new taxes.

"I don't think voters are going to be willing to accept draconian cuts," said Ross DeVol, director of regional economics at the Milken Institute, a Los Angeles-based research organisation. He added California needed to "look at other kinds of tax enhancements".

John Laird, a Democratic assembly member, said the state should look at exploring alternative revenue-raising measures. "A \$20bn deficit is 20 per cent of our general fund," he said. "A cuts-only strategy is unsustainable and untenable."

In a Milken Institute report on the Californian economy, due to be published today, Mr DeVol says personal income tax collections have been hit by a slowdown in capital gains realisations and stock options. The housing market collapse has hit property taxes while sales tax receipts have also fallen as consumers rein in spending on household goods.

Some cities have been worse affected than others: Vallejo, in northern California, yesterday voted to go into bankruptcy after council members admitted the city had run out of money. "There doesn't appear to be a whole lot of options left," said Joanne Schivley, a Vallejo city council member. "We are going to be out of money by June 30."

California already has a sales tax on purchased goods. Under the proposals being discussed by legislators, a services charge would be placed on all service-based transactions, ranging from lawyers' fees to paying for a haircut.

The temporary high earners' tax would only be levied until the fiscal situation stabilised, but would be more controversial than a services tax because it would fly in the face of years of policymaking in the state.

Republicans in the state legislature have declared their opposition while Mr Schwarzenegger has also said he does not want to punish taxpayers. "The governor believes taxpayers give enough money to Sacramento and shouldn't be punished because lawmakers can't live within their means," said a spokesman.

However, California is entering a recession and the state's revenue base is declining, which may force the governor's hand. Mr DeVol said the fiscal picture could be worse than publicly acknowledged by state officials. "The [budget] outlook is based on slow growth, not a recession," he said.

The housing market decline was the primary cause of the state's woes and had hit purchases of new furniture and appliances, Mr DeVol added. But other factors had contributed, including the Hollywood screenwriters' strike which affected the growing leisure and hospitality sector.

The New York Sun

City Is Facing Big Hike in Property Tax

By GRACE RAUH

Staff Reporter of the Sun

January 10, 2008

New Yorkers could see their tax bills rise next year if Mayor Bloomberg decides to roll back a 7% property tax cut and end a \$400 property tax rebate for homeowners to help close a projected \$3.1 billion budget gap in the city.

Returning the property tax to its earlier level would give the city about \$1 billion extra in revenues. Ending the rebate would save another \$256 million.

Fiscal policy experts say the rebate could be on the table as the mayor sizes up the city's budget in preparation for his annual State of the City address next Thursday and his subsequent presentation of budget plans for next year. The Bloomberg administration could be eyeing an end to the property tax relief as well.

The 7% property tax cut, which went into effect this year, was presented as a onetime bonus the city could afford, given its record \$4.7 billion surplus. Mr. Bloomberg said at the time that he would keep a close eye on the city's finances to determine whether his administration could afford to extend the cut.

"When the good times are rolling, that's great, but we have to prepare for when they are not," he said in June.

Mr. Bloomberg's outlook on the economy has changed since then, with an economic downturn that prompted the city's Independent Budget Office to project a \$3.1 billion shortfall next year, a \$4.6 billion shortfall in 2010, and a \$6.3 billion shortfall in 2011.

The IBO noted in its report, released on Monday, that forgoing the 7% property tax reduction is a way to raise revenues.

Last fall, the Bloomberg administration instituted its first hiring freeze since 2002 and asked city agencies to find areas in their budgets to cut. At the time, the city's Office of Management and Budget was projecting a \$2.7 billion shortfall for the next fiscal year.

"We are going to have some tough times and it's very easy to leave them for our successors to deal with," Mr. Bloomberg said in December. "Anyone that thinks the bad times aren't coming is not being realistic."

Any tax increase proposal would have to be looked at in the context of a possible Bloomberg presidential campaign. How politically damaging such a proposal would be to Mr. Bloomberg could depend on who his opponents are. The three remaining major Democratic candidates, senators Edwards, Obama, and Clinton, have all promised federal tax increases. And one of the top Republican candidates, Michael Huckabee, raised taxes as governor of Arkansas. That could either defuse the tax issue for Mr. Bloomberg or make it more important for the mayor to differentiate himself from the rest of the field as a tax-cutter.

The chief economist and deputy director of the Fiscal Policy Institute, a labor-backed group, James Parrott, said New Yorkers should be prepared for the possibility that the \$400 rebate, first introduced in 2004, could disappear next year.

"The mayor has always billed that as something we will do when we can afford it, but it's not permanent," he said. "It seems to me, nobody should be surprised that it would happen."

The president of the Partnership for New York City, Kathryn Wylde, said ending the rebate is an option the city could use to help close the gap.

"That was clearly a program that was initiated to say, 'When we have a surplus, let's give it back to the people whose taxes we raised,'" she said, referring to the 18.5% property tax increase pushed through in 2002 to combat soaring deficits. "If we don't have a surplus, that rebate wouldn't make as much sense."

The average tax bill for owners of one, two, and three-family homes in New York is about \$2,770, a spokesman for the IBO, Douglas Turetsky, said.

A spokesman for Mr. Bloomberg, Stuart Loeser, declined to comment on the possibility of such cuts, saying the administration is not previewing its budget.

The chairman of the City Council's Finance Committee, David Weprin, said he's certain a proposal to end the property tax rebate is "going to be on the table, no question."

A council member who represents parts of Staten Island, Michael McMahon, said he doubted Mr. Bloomberg would consider ending the \$400 rebate and rolling back the property tax cut from last year.

"It is the least popular measure that I can think of" to close the budget gap, he said. "It's kind of like a fire extinguisher in a glass case. It should only be used in an extreme emergency."

He said the city is facing "a dip" in its budget, but is far from being in the throws of a fiscal emergency that would merit such action.

The mayor would face stiff opposition if he tried to tamper with property tax relief, he said.

"This is not the once-in-a-generation type of crisis we faced in 2002," he said. "This is your cyclical budget pressure and that has to be handled through better fiscal policy, better management of the city's budget, and belt tightening."

Associated Press

Facing city budget squeeze, Los Angeles makes plans for layoffs

Wednesday, March 12, 2008

Las Angeles Mayor Antonio Villaraigosa is making plans to lay off city workers to help close a looming budget gap.

The mayor's office said Wednesday that the layoffs are expected to come after July 1.

The mayor's office did not say how many of the city's approximately 40,000 workers would be cut loose to help close a spending hole as big as \$500 million.

The sagging housing market and stagnant job growth are being blamed for the city's shaky financial condition.

At the same time, the first-term mayor says he plans to continue hiring more police officers. The city has witnessed a surge in gang violence in recent weeks.

Associated Press

Michigan facing budget problems, weaker economy

5/14/2008, 6:41 p.m. EDT

By DAVID EGGERT

LANSING, Mich. (AP) — Michigan faces a budget deficit of at least \$300 million next year and its economy will be weaker than expected, more bad news in a state that had to raise taxes last year to balance the books.

Lawmakers were briefed on the bleak financial picture Wednesday. Reasons for the projected budget shortfall include a sluggish economy, struggling housing market, the federal economic stimulus plan and newly enacted state tax subsidies luring Hollywood to make movies in Michigan, said Gary Olson, director of the nonpartisan Senate Fiscal Agency.

"There's really not much good news in the forecast," Olson told members of the Senate Appropriations Committee.

Compared with forecasts made in January, the U.S. and Michigan economies will be weaker than expected both this year and next. Inflation is expected to be higher, income growth slower and employment lower than anticipated. State tax revenues will fall \$550 million short of projections for the budget that starts Oct. 1.

One bright spot is that it appears there is enough money so legislators and Gov. Jennifer Granholm can avoid having to make mid-year spending cuts to K-12 public schools and other government services in the existing budget running through Sept. 30.

"We're actually in decent shape considering where we've been in the last few years," said Sen. Michael Switalski of Roseville, the top-ranking Democrat on the Appropriations Committee.

The House and Senate fiscal agencies and Gov. Jennifer Granholm's administration will meet Friday to revise how much revenue state government can expect to collect this budget year and next.

The House Fiscal Agency was more optimistic than the Senate in its forecast released earlier in the week, estimating the state treasury next year will take in \$424 million less than expected.

Olson on Wednesday estimated a potential \$300 million deficit in the next budget. That is assuming there is some leftover money from the current budget, state revenue-sharing aid is not increased for local governments, tobacco settlement payments to the state are withheld pending a dispute and the Legislature spends less than what Granholm proposed in her budget, he said.

Even then, Olson said, spending cuts are looming for the 2008-09 budget. Granholm already has ruled out higher taxes.

The Senate has approved giving K-12 schools an increase of \$71 to \$142 per student, depending on the school district, and using about another \$19 to \$20 per student to spend on buildings. Unless legislators find a way to offset a shortfall in the School Aid Fund, they may have to give schools less of an increase — ranging from a \$28 to \$56 per pupil or \$40 to \$80 per pupil, Olson said.

While some of Michigan's budget struggles can be blamed on the economy, some also stem from policy decisions.

Federal rebate checks sent to taxpayers to boost the economy will increase casino taxes, lottery revenue and sales tax revenue. But because the new Michigan Business Tax is linked to federal taxable income and businesses will claim an acceleration in depreciation under the stimulus plan, the budget will see a net loss of \$127 million over two budget years.

A new refundable tax credit aimed at boosting the film industry will cost the state another \$110 million next budget year.

Olson said the incentives will be "wildly successful" but added there is "no way" any increased economic activity from making movies and TV shows will offset the checks cut to studios for their production costs.

The housing market is hurting property values, which affects how much goes to schools through the state education property tax. The state also is getting hurt because fewer homes are being bought and sold, translating into less in real estate transfer taxes. Revenue from the transfer tax next year could be down 52 percent from its peak in the 2003-04 fiscal year.

LAS ANGELES REVIEW-JOURNAL CAPITAL BUREAU

Almost half the states facing budget shortfalls

By SEAN WHALEY
January 6, 2008

If misery loves company, then Nevada, struggling with revenue shortfalls and budget cuts, is just one member in a very big club. From Arizona and California to Alabama and Maine, nearly half of the states are reporting or anticipating budget shortfalls next year.

The housing slump is getting its share of the blame for next fiscal year's shortfalls, estimated at a minimum of \$23 billion in 13 states, including Nevada, according to an analysis by the Washington, D.C.-based Center on Budget and Policy Priorities.

An additional 11 states are reporting likely budget problems next year or the year after, according to the nonprofit, nonpartisan center.

Nevada, which approves budgets two years at a time, is also facing a shortfall on projected revenues this fiscal year, which began July 1.

A separate analysis issued by the National Conference of State Legislatures reports that 24 states have been hurt by the housing slump and that the states' fiscal picture could get worse if there is a national recession.

"If the economy takes a turn for the worse, state finances undoubtedly will decline from the situation reported here," the report says.

Nevada is facing a \$450 million shortfall over two years, or about 6.6 percent of the total \$6.8 billion general fund budget, according to the latest estimates.

Sen. Bob Beers, R-Las Vegas, said the findings corroborate what many already knew -- that Nevada is not unique in dealing with budget and revenue issues.

The collapse of the residential real estate boom may have been more pronounced in Nevada because of a higher level of speculation by investors here than in many other states, he said.

"This might have made the statistical reporting of our real estate fall slightly more spectacular than in some other states," Beers said.

But Nevada does seem to be in a stronger position because it has not relied on gimmicks to balance its budget, as some other states have done, he said.

"Some states seem to have started doing what the federal government is doing, taking on debt to fund salaries and operating costs," Beers said.

State Budget Director Andrew Clinger said Nevada has been conservative in its approach to budgeting, which puts the state in a better position to deal with lower-than-expected revenues.

"We haven't used one-time funds to balance the budget and we've done a pretty good job of bolstering our rainy day fund," he said.

But Clinger agrees that if the country goes into a recession the revenue picture could worsen for Nevada and many other states.

"The gaming industry has weathered the slump pretty well so far," he said. "But it is definitely something to be cautious about. If a slowdown starts to affect the gaming sector it will make it a lot worse for us."

Although the collapse of the housing market and its effect on sales tax revenues is seen as a big factor in the state budget problems, the report by Elizabeth McNichol and Iris Lav for the Center on Budget and Policy Priorities finds other causes as well.

Some states, such as Florida and Michigan, have enacted tax reductions that are proving to be unaffordable.

Others, including Alabama, Arizona and California, according to the report, are dealing with a structural budget imbalance where revenues grow more slowly than the cost of providing state services.

Others, including Connecticut and New Jersey, have revenue issues as a result of using one-time funds, including surpluses, to pay for tax cuts or increased spending.

Nevada is not included in these three categories, but it is one of the top states with budget problems where structural deficits are identified as a contributing factor.

A separate report by the center identifies 10 factors contributing to structural deficits where revenue does not keep up with spending, including the super majority requirement to raise taxes, which the center said hampers the ability of lawmakers to modernize tax codes. The shift in the national economy from the production of goods to services, which are often not taxed, as well as the growth in Internet sales where taxes are often not paid, are two other factors that apply to Nevada.

The center reports that 12 of the states currently facing fiscal problems -- Alabama, Arizona, California, Florida, Kentucky, Michigan, Missouri, Nevada, Oklahoma, Rhode Island, South Carolina, Texas, and Virginia -- have at least seven of the 10 identified risk factors and so are at highest risk of a structural deficit.

Assemblywoman Sheila Leslie, D-Reno, a member of the Assembly Ways and Means Committee, said Nevada belongs in the category of states with a high risk of a structural deficit in part because of its over-reliance on sales and gaming taxes, which make up the majority of the state's tax revenue.

"I think our budget gap fits into that section the best because sales/gaming tax revenue is cyclical and difficult to predict and leads us to these sharp downturns every few years," she said.

Leslie said Nevada's revenue structure is a very shaky foundation on which to build a two-year budget. The result is a cycle where the state has a \$300 million surplus one time and a \$500 million hole the next.

There is a growing call for a more stable tax revenue structure, she said.

"If we don't seriously confront this problem, we will continue to see a disintegration of our communities and businesses will stop relocating here, tourists will avoid us and our residents will suffer greatly," Leslie said.

The center report said the effect of the revenue shortfalls could mean cuts in education and health programs unless state legislatures opt to raise taxes instead.

Nevada Gov. Jim Gibbons had made his position clear: He will not support new taxes as part of a solution to any state revenue shortfall.

And Beers, a member of the Senate Finance Committee, said any suggestion that tax increases are a solution to revenue problems is shortsighted.

A conservative analysis of the payroll tax collections in Nevada for the first quarter of the fiscal year suggests that somewhere between \$300 million and \$500 million in wages anticipated to be earned did not materialize for Nevada workers, Beers said. So average Nevadans are already suffering from the current economic conditions.

"It doesn't make sense to now raise taxes and increase the hardship on people," he said.

Nevada's gaming revenues are projected to be on target for the current budget. But sales and other revenues with a connection to the slumping housing market are another matter.

The NCSL report found that at least 12 states are seeing declines in their real estate transfer taxes, including Nevada, because of the housing slump.

The Center on Budget and Policy Priorities reports that the collapse of the housing market has hurt taxable sales as well because of lower demand for furniture, appliances, construction materials and related products.

Real estate transfer and sales tax collections are both contributing to Nevada's revenue problems. For the first quarter of the 2007-08 fiscal year, real estate transfer taxes in Nevada came in \$6 million lower than what was projected by state officials. Sales tax collections for Nevada were off by \$24 million below the forecasted amount for the same period.

Officials expected to make up \$284 million of the state shortfall through cuts to operating budgets. The rest will be made up from the state's rainy day fund and the delay of construction projects or other one-time expenditures.

The Center on Budget and Policy Priorities report does not suggest that all the other states are doing OK. Rather, many have just not updated their fiscal reports for the coming year.

But some states are doing better than others, according to the report. Some states, including New Mexico, Montana and Wyoming, are seeing revenue growth as a result of higher oil prices.

And some other regions' economies are less affected by the national economic problems, according to the report. For example, states with high levels of exports are benefiting from the falling value of the dollar.

\$23 billion shortfall

Ten of 13 states surveyed have a clear picture of revenue and spending and expect a gap in fiscal year 2008-09

	Amount	Percent of Fiscal Year 2007-08 General Fund*
Arizona	\$830 million - \$1.8 billion	7.8-16.9
California	\$9.8 billion - \$14 billion	.4-13.4
Maine	\$57 million	1.8
Massachusetts	\$1.2 billion	4.2
Minnesota	\$373 million	2.2
Nevada	\$250 million**	7.7
New Jersey	\$2.5 - \$3.5 billion	7.6-10.6
New York	\$4.3 billion	7.9
Rhode Island	\$400 - \$450 million	11.8-13.2
Virginia	\$1.2 billion	6.9

Three of the 13 states expect a revenue shortfall but do not have a clear picture of the spending gap for fiscal year 2008-09

	Amount	Percent of Fiscal Year 2007-08 General Fund*
Florida	\$1.4 - \$2.4 billion	4.5-7.8

Kentucky	\$212 million	2.3
South Carolina	\$430 million	6.4
13-state Total	\$23 - \$30.2 billion	7-9.4

* The 2007-08 fiscal year is used for comparison because most states have not yet adopted their 2008-09 budgets.

** Figure from Nevada State Budget Office

Source: The Center on Budget and Policy Priorities

Associated Press

Mesa city workers could be facing layoffs

Wednesday, March 19, 2008

MESA, Ariz. (AP) -- In order to balance its budget, the City of Mesa is looking at possible city worker layoffs along with severe cuts in city services.

City staff Thursday is scheduled to present the City Council a list of positions to eliminate and services to cut during a study session that will focus on the budget.

"Before, we were able to handle it mostly through attrition, retirements and people leaving," said District 4 Councilman Kyle Jones. "Whereas now we are reaching the point where we are literally talking about losing their jobs."

Mesa is trying to deal with an anticipated \$16 million drop in revenue.

Utility services such as gas, water, sewers and electricity are unlikely to be affected by the cuts, because they aren't funded with sales taxes.

But Jones warned Tuesday that Mesa residents should "absolutely" expect a decrease in other services, including public safety and transportation.

"This budget cycle is reaching a point, more so than ever before, where it will definitely affect our quality of life," he said.

To get ahead of the budget problems, the Mesa City Council has already decided to reduce Saturday bus service and eliminate 35 positions from Building Safety. The police department has identified more than \$7 million in cuts.

In addition, the city has held many positions open and capital projects have been delayed.

The cuts are particularly difficult for Mesa, since it went through major cuts just two years ago to be able to meet its bond debt, said Brian Raines, Mesa Deputy City Manager.

Then, the city eliminated more than 100 positions and cut \$15 million.

Raines said Mesa is required by law to balance its budget. "Expenditures cannot exceed revenues," he said. "We can't run on a deficit."

On June 2, the City Council is slated to give tentative approval to the 2008-09 budget, the first day the new mayor and four new council members will take office.

Final budget approval will come two weeks later, in time for the start of the new fiscal year on July 1.

Budget & Tax News

Chicago Region Sales Taxes Surge By Nearly \$1 Billion

Written By: Steve Stanek
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Publisher: The Heartland Institute

Sales taxes in the Chicago area could climb \$1 billion this year, making Chicago the most expensive city in the United States in which to shop and dine.

The tax hikes have been imposed by the Regional Transportation Authority (RTA), which includes Cook County and five suburban counties, and by the Cook County Board. They come on top of other major tax hikes, including a record \$86 million property tax hike and 40 percent real estate transfer tax hike in Chicago, and the imposition of the nation's first tax on bottled water, also in Chicago.

"The government unions are controlling the whole process. Hire more people, increase pensions, raise salaries. That's all they want, and they get it," said Jerry Roper, president of the Chicagoland Chamber of Commerce.

"It's death by a thousand taxes," Roper said. "The question is where is the tipping point? When do major corporations view this as a disincentive?"

Border Businesses Worry

Smaller businesses that often operate on thin profit margins and tight cash flow already view the tax rates as a disincentive, said Mindy Phillips, director of the Palatine Area Chamber of

Commerce. Palatine is a village of about 68,000 persons in northwest suburban Cook County, near the Lake County line.

"We definitely have been hearing concern over how strong business will be as these taxes come into effect," Phillips said. "We have a lot of the same retailers here as on Rand Road [a few minutes away] in Lake County. Especially for bigger-ticket items, people might decide it's worth that short drive to save on sales tax."

Phillips added, "From an economic development standpoint, there is definitely concern about building on the Lake or DuPage [County] side of the line instead of the Cook County side."

Consumers Double-Whammied

The RTA sales tax hike took effect April 1 and applies to general merchandise, qualifying food, drugs, and medical appliances, and items that must be titled or registered in Illinois.

In Cook County, the RTA sales tax rate on general merchandise increased from 0.75 percent to 1 percent. In neighboring DuPage, Kane, Lake, McHenry, and Will Counties, the RTA sales tax rate has tripled from 0.25 percent to 0.75 percent.

Officials estimate the RTA sales tax increase, to fund the Chicago Transit Authority, Metra commuter rail system, and Pace suburban bus service, will cost consumers \$530 million a year.

On July 1 the Cook County sales tax jumps from 0.75 percent to 1.75 percent. County officials estimate the tax increase will cost consumers another \$426 million a year.

Combining all the sales taxes (RTA, Cook County, state, and city) will give Chicago a general sales tax rate of 10.25 percent on July 1, highest in the nation. For downtown Chicago restaurants subject to the Metropolitan Pier and Exposition Authority sales tax, the total sales tax effective on July 1 will be 11.50 percent.

Lawmakers, Commissioners Fight

The RTA and Cook County sales tax hikes both came after bitter political battles. The RTA tax increase ended almost eight months of special sessions in the General Assembly to address transit funding in the Chicago region. Gov. Rod Blagojevich (D) so angered lawmakers that in April the House, which is dominated by fellow Democrats, overwhelmingly approved a measure to allow citizens to amend the state constitution to allow the recall of the governor and other elected officials.

Lawmakers were angered by antics that included the governor calling sessions he did not attend and spending thousands of dollars on shuttle flights between his home in Chicago and the state capital, where he refuses to live. In one notorious instance the governor left lawmakers hanging to attend a Chicago Blackhawks hockey game.

In Cook County, Board President Todd Stroger originally proposed more than tripling the county sales tax from 0.75 percent to 2.75. He also proposed raising other taxes, including on gasoline and parking.

Half the board rebelled, and as a government shutdown loomed at the end of February, the 17-member board voted 9-8 to raise the sales tax to 1.75 percent, but not before shouting matches between tax-hike supporters and opponents.

"We will lose convention and tourism business," said County Commissioner Mike Quigley, who opposed the tax hike. "The economy is slowing and raising taxes is exactly the opposite of what government should be doing. We should be priming the pump for the economy to move forward."

Quigley said the tax-hike supporters "assume voters will have amnesia and forget about it and will reelect them in 2010. If they're right, well, as Thomas Jefferson said, people get the government they deserve. "Until our local government starts to restructure, it's going to be stuck in structural deficits," Quigley noted. "We need a plan to move forward so tax hikes aren't necessary."

Supporters of the tax hike--Stroger and Commissioners John Daley and Larry Suffredin--did not return calls seeking their comments for this story.

Tax Hike Far Exceeds Deficit

Stroger said the tax hike is needed to cover a budget deficit of \$234 million. Yet Stroger's own estimates show the county bringing in nearly double the amount needed to cover the deficit, and Stroger's budget calls for hiring 1,100 new workers.

The budget also does nothing to address illegal patronage hiring allegations leveled in March by a federal court monitor. And it does nothing to address an expert panel's allegations of poor management and wasteful operations at the Cook County hospitals and juvenile detention center, said Lawrence Msall, president of the Chicago-based Civic Federation, a government watchdog organization.

An outside panel of 15 persons from medical, civic, and labor organizations would be created to oversee the hospital system through 2010, but Stroger would get to name nine of the members with County Board approval, keeping the county government in control.

"The Cook County tax hike was unnecessary and unjustified," Msall said. "Instead of government efficiencies, they chose to raise the sales tax to the highest level in the United States. Equally frightening is that the current administration does not think their sales tax increase will be enough. They're already hinting at more taxes."

Manhattan Media

The City's Own Looming Housing Crisis

Budget shortfalls and rickety federal support threaten NYCHA properties

Andrew J. Hawkins

May 12th, 2008

Thousands of public housing employees and residents gathered earlier this month in front of City Hall to protest budget cuts. NYCHA is facing about a \$200 million shortfall this year.

As the rest of the country deals with the continuing fall-out from the subprime mortgage crisis, the city's vast network of public housing is facing a widening budget gap that could affect living conditions for more than 400,000 residents.

"Residents are scared," said Council Member Rosie Mendez (D-Manhattan), who chairs the Council's Public Housing Committee. Mendez said the lack of apparent solutions makes calming residents' fears increasingly more difficult.

"You see the conditions they're living in and the problems they're going through," she said, "and you're sort of helpless in trying to rectify the situation."

The New York City Housing Authority (NYCHA) is facing about a \$200 million shortfall this year, almost one-third higher than last year's \$168 million deficit. In other words, NYCHA is reimbursed by the federal government around \$0.83 for every dollar that the authority spends.

Critics charge that the Bush administration is simply trying to find a way out of the public housing business. But the city and state share a responsibility too, Mendez said.

While most of New York's 343 public housing developments were built with federal money, 16 were constructed by the state and five by the city. NYCHA manages the whole system, which employs about 13,000 full-time workers and has a total budget of \$3.4 billion.

Over the years, the city and state have zeroed out their commitment to NYCHA's operating budget—about \$62 million from the state and about \$25 million from the city.

Mendez's attempt last year to modify the budget to include more money for public housing failed. She said she will try again this year.

"If we here at the city and state don't take responsibility for those units we created, you know, it's going to have dire consequences for residents of public housing," said Mendez, who herself lived in public housing for more than 20 years and whose district includes many public housing projects.

Mendez's fellow public housing warrior (and another former tenant) is NYCHA Chairman Tino Hernandez, who agrees that the state needs to restore its commitment to the 16 developments it used to operate.

Last year, the state provided a one-time, \$3.4 million subsidy for NYCHA, a mere "pittance," according to Hernandez. Mayor Michael Bloomberg (Unaff.) also dished out a one-time \$100 million allocation last year. But neither the city nor the state are expected to reaffirm those

commitments next year.

When Hernandez meets with Gov. David Paterson (D) in the months ahead, he plans to petition the new governor to restore state subsidies.

“We’re going to go back to the state and say that the state really has the obligation to restore that \$62 million to operate those 16 developments,” Hernandez said.

The NYCHA chief said that whole funding streams have been dried up by the federal government.

“They’ve either been zeroed out or cut pretty significantly,” Hernandez said.

Hernandez has responded by cutting almost \$500 million from the authority’s budget, reducing staff by almost 2,500 positions and introducing technology to reduce inefficiencies. The signing of the shelter allowance bill last year by then-Gov. Eliot Spitzer (D) also will free up about \$47 million when it is fully phased in, Hernandez said.

The move to convert 8,400 units to Section 8 housing will also save some money, he added.

“Over the long term we’ve had some victories that will result in added funding,” Hernandez said. “We still try to grapple with the short-term problem.”

Advocates see areas of other savings that have yet to be approached by either the City Council or the mayor.

NYCHA pays the city about \$73 million for police services, \$30 million to the Department for the Aging for senior services and around \$130 million for payments in lieu of taxes, or PILOTs.

“There is a good reason for the city to think of NYCHA as a cash cow,” said Victor Bach, a housing policy expert at the Community Service Society, a 160-year-old anti-poverty organization.

The city does not have any more reason to continue to milk NYCHA for these funds, Bach said.

“NYCHA is in serious deficit,” he said. “These payments should be reconsidered, renegotiated, waived.”

Hernandez said the payments are issues that would have to be settled between the mayor and the City Council.

While city and state officials work to streamline NYCHA’s budget, the union that represents the majority of the authority’s 13,000 employees is laboring to make the issue of public housing heard above the chorus of other housing and economic concerns.

At a May 1 rally in front of City Hall convened by Teamsters Local 237, thousands of public housing employees and residents gathered to protest the budget cuts. With a JumboTron projecting the action behind them, a four-piece R&B band led the multitude in the chant, “Save our jobs, damn good jobs!”

Days before the rally, George Floyd, president of Local 237, said that while he expected

Paterson to fight for more funding, there was little that could be done in the near future.

“Does he have the economic base, the tax base, to deal with this problem—as well as education, as well as other things he has to fund in this state?” Floyd asked. “The answer, probably, today is no.”

In the search for solutions, rumors of privatization have fueled fears among housing activists that New York could soon follow other cities in selling off its public housing to private owners.

Nicholas Dagen Bloom, an assistant professor at the New York Institute of Technology and author of *Public Housing That Worked: New York in the Twentieth Century*, said despite the rumors, privatization was unlikely.

“It’s not likely the program will be privatized,” he said, “but there will be structural changes in the way it operates to reflect current conditions, which is higher costs.”

Currently, rent in public housing averages at \$320 a month for residents who earn on average \$20,000 a year, or about 1.6 percent of their annual income. Bloom said restrictions on rent ceilings could be loosened.

Whatever happens with the privatization effort, Council Member Mendez said residents are still fearful of developments being sold and demolished to make way for high-rise luxury condominiums.

In New York’s competitive and volatile housing market, public housing often gets lost in the conversation, Mendez said. But most people fail to realize that public housing is essential to New York’s entire housing equation, she said.

“We’re losing rent-regulated apartments at an alarming rate,” Mendez said. “If we don’t do something about stabilizing public housing, for many that’s the housing of last resort, that’s their last hope, and we could in the future lose that as well.”

CBC News

Toronto not facing bankruptcy: city

Last Updated: Friday, April 20, 2007 | 5:57 PM ET

CBC News

City officials have backtracked after saying Toronto will be left on the brink of bankruptcy without major help from the Ontario government, hours later painting a more positive picture.

The initial grim prediction was made during budget debate Friday morning on the city’s proposed \$7.8-billion operating budget.

City manager Shirley Hoy warned of a “huge decline in the quality of life in the city” if Toronto follows through with proposed tax increases and cuts to municipal services over the coming years. “We don’t believe that’s right,” she said.

To balance the budget, city officials say they are forced to dip into reserve funds, leaving them almost completely depleted.

But later the city's chief financial officer, Joe Penachetti, told reporters that using the word "bankruptcy" was going too far. He did, however, admit the problems are real and serious.

Without funds from Ontario, Hoy had said, city residents will see drastic service cuts, such as shutting down parks and recreation budgets entirely to avoid bankruptcy.

Debate about the budget continues on Monday.

Washington Post Budget Shortfall Grows As U.S. Economy Slows

By David Nakamura and Nikita Stewart
Washington Post Staff Writers
Wednesday, May 7, 2008; B04

The District government's projected revenue has fallen by an additional \$35 million just a week before city leaders are set to finalize next year's budget, a decline that will require further cuts in spending or increases in taxes, city officials said yesterday.

Chief Financial Officer Natwar M. Gandhi delivered the bad news to Mayor Adrian M. Fenty (D) and D.C. Council Chairman Vincent C. Gray (D), citing the continued flattening of sales and income taxes in the face of a national economic slowdown. Property taxes, particularly on the commercial side, are increasing but are not enough to make up the difference, Gandhi has said.

The financial strain could affect a key fight between Fenty and Gray over \$18 million for schools in the fiscal 2009 budget. Fenty wants the money to go toward expanded art and music programs being planned by school Chancellor Michelle A. Rhee. But last week, Gray proposed transferring the sum into the school modernization fund to help repair buildings.

Fenty administration officials have said that, in the face of further revenue declines, it is critical to keep the money in the schools' budget for new programs. But Gray said he is not inclined to change his position.

"That doesn't have any impact at all" on the \$18 million, Gray said of Gandhi's announcement. He has said that Fenty did not include enough money for modernization in the first place. Still, Gray acknowledged that the council will have to "find cuts . . . between now and Tuesday," when it will vote on the budget.

The latest revenue forecast came just three months after Gandhi said that the city was facing a \$96 million budget deficit. In developing his \$5.66 billion spending request in local dollars -- an increase of 0.7 percent over this year's budget of \$5.62 billion -- Fenty made up the gap largely through two measures.

He announced he would not fill about 550 vacant government jobs. And he proposed scaling back a property tax cut for small businesses that the council approved in January -- from \$96 million in relief to \$15 million.

Ed Lazere, executive director of the D.C. Fiscal Policy Institute, a liberal think tank that studies city budget issues, said the city might not be able to afford any tax cuts this year.

"In a budget already lean in terms of new initiatives, a \$35 million shortfall could produce cuts in real services. There is not a ton of fat in the budget to begin with," said Lazere, who will join other advocates today at the John A. Wilson Building to lobby council members for more money for affordable housing. "In this time of budget shortfall, we need every penny just to maintain basic services," he said.

Over the past few weeks, council members have cut some of Fenty's initiatives but have used the money to fund proposals of their own. Now even those might be in jeopardy.

Fenty pledged during his mayoral campaign that he would not raise taxes, but he has raised a series of fees, including those assessed for 911 emergency calls and for business licenses.

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NY City Government

MAYOR MICHAEL R. BLOOMBERG PRESENTS \$58.5 BILLION FY2009 PRELIMINARY BUDGET

FOR IMMEDIATE RELEASE

PR- 029-08

January 24, 2008

Budget Reflects Only 1% Growth in Controllable Expenses and Outlines Four-Year Financial Plan That Includes Agency Spending Reductions

Mayor Michael R. Bloomberg today presented his Fiscal Year (FY) 2009 Preliminary Budget and an updated four-year financial plan for the City of New York. The City's FY2008 budget and the preliminary \$58.5 billion budget for FY2009 are both in balance. As part of the budget presentation, the Mayor announced that agency spending reductions and revenue actions will realize nearly \$1.5 billion. The budget for FY2009 also includes the continuation of the \$400 property tax rebate and will seek to extend the one-time 7% reduction in the property tax rate, which was included in last year's budget. The budget reflects 1% growth in controllable city spending from FY2008 to FY2009, and 3.7% growth overall after factoring in non-controllable expenses, which are projected to increase by 6.3%. The City will monitor the economy and budget conditions over the next several months and will take whatever actions are necessary to maintain balance for FY2008 and FY2009.

"Because we didn't squander our resources when times were good, we're much better prepared to deal with these more challenging times," said Mayor Bloomberg. "We used surpluses to close gaps in the out years, paid down debt and put money away to pay the healthcare costs for our

retirees. All of those actions have put our budgets for fiscal years 2008 and 2009 in balance, and they have given us a running start in balancing FY2010."

Uncertain Economic Outlook:

New York City's current economic outlook is uncertain with many national economists forecasting a high likelihood of recession. Job growth and economic performance indicators have slowed in recent months. Wall Street firms have recently had multi-billion dollar write-downs and have posted record losses. As a result, New York City's projected Wall Street profits for calendar year 2007 are just \$2.8 billion. In June, at the adoption of FY2008 budget, the City forecasted \$16.8 billion in profits for these firms for 2007.

Agency Programs Reduce Spending:

In September of 2007, Mayor Bloomberg instructed City agencies to act prudently and restrain spending. At the end of October, the Director of Management and Budget requested that City agencies identify how they would continue to provide City services to New Yorkers with a 2.5% reduction in City-funded spending in the current fiscal year, and a 5% reduction next year. City agencies have exceeded targets for FY2008 and are near the target for FY2009. All City agencies have participated in the budget reductions, including the Police Department, the Fire Department and the Department of Education and these spending reductions and revenue actions will realize \$1.42 billion over FY2008 and FY2009.

Continued Tax Reductions:

The City will continue the \$400 property tax rebate. Last year, working with the City Council, the budget included a one-time 7% property tax reduction for all homeowners. Today the Mayor proposed extending it, dependent on the performance of the economy and funding commitments from the State and Federal governments.

Prudent Actions Which Helped Maintain Budget Balance:

Previous budget surpluses were used to stabilize the City's budget in future years. \$4.6 billion in surplus funds generated in FY2007 were used to help close budget gaps in FY2008, FY2009 and FY2010. In addition, the Bloomberg Administration contributed \$2.5 billion to the Retiree Health Benefits Trust Fund for future liabilities the City faces for health benefits for its retirees. The City also paid down early over \$1 billion of debt which was due in FY2009 and FY2010.

Out Year Gaps:

The Mayor also announced today that New York City is facing budget gaps of approximately \$4.2 billion in FY 2010, \$5.6 billion in FY2011 and \$5.3 billion FY2012. The City has identified \$350 million in funds that will be used to begin balancing FY2010. The City will work with partners at the federal and state levels and with municipal labor unions to help identify options to close the gap should they become necessary.

Dallas Morning News

Dallas City Council looks to fill possible gaps in next budget

09:05 AM CDT on Friday, May 9, 2008

By DAVE LEVINTHAL / The Dallas Morning News
dlevinthal@dallasnews.com

This much is certain: The economy is squishy, tax revenue is lousy and more than a few Dallas officials are nervously wondering whether they'll find themselves raising taxes, or cutting services, to balance City Hall's next budget.

Latest budget estimates, after all, indicate 2008-09 revenues and expenditures put Dallas about \$50 million off target, presuming city officials follow through with plans to hire 200 new police officers and keep the tax rate flat.

But City Council members are quick to note such an estimate is just that: an estimate. A decidedly early one, too.

With City Manager Mary Suhm not scheduled to present a budget proposal to the council until mid-August, budget directors and council members insist there's ample opportunity for them to tweak their way toward equilibrium.

"There are so many factors that could change. Everything is still very preliminary," said Jeanne Chipperfield, Dallas' interim director of budget services.

Soft sales tax revenues, for example, could rebound. Certified property tax revenue, which will be announced in July, could come in better than planned. Fuel and energy costs could improve.

Or they may not.

That's why the city must first use its time to identify new revenue streams that fill any budget gap while keeping current city services and tax rates intact, said District 10 council member Jerry Allen, vice chairman of the body's finance, audit and accountability committee.

Maybe the city could sell naming rights to city-owned property or facilities, Mr. Allen suggested. Or collect fees on "supergraphics" – the giant advertisements that cover the exterior walls of some downtown buildings, he said.

"Everything is on the table. It's incumbent on the city to explore all alternatives and to think outside the box," he said. "We're already pretty tight on the expenditure side, so we've got to look at creative ways to generate new revenue."

Indeed, the city has recently and successfully employed less-than-traditional methods to generate tens of millions of dollars in general fund revenue: advertising-kiosk contracts, land leases for natural gas drilling, even switching out traditional light bulbs in city facilities with miserly compact fluorescent bulbs.

District 13 council member Mitchell Rasansky suggests another route: Shrink the government in order to lower the tax rate, not simply keep it static.

"You can find places to cut if you really try," said Mr. Rasansky, chairman of the council's finance, audit and accountability committee.

Professional city staff will certainly have the opportunity.

In the coming weeks, city departments will continue marching through a process known as "budgeting for outcomes."

In so doing, city departments will compile lists of services they want to provide and perform, then forward the recommendations to top city management.

City management, in turn, decides which services it considers vital enough to "buy" with \$1.97 billion – a figure the council months ago estimated Dallas needs to run city government for one year. By August, Ms. Suhm, having crunched numbers with her staff, will make her final budget recommendation to the council.

The council then becomes jury and judge to Ms. Suhm's proposal, endowed with the power to amend the spending plans as its members see fit.

By late September, council members must vote on, and pass, the budget.

"We know the economic times all over America are tough, and we have to be conservative," Mayor Pro Tem Elba Garcia said. "I hope and think, in any case, that we won't have to cut into services, especially in our key areas like code enforcement, police and animal control. As we get closer to August, I think our situation will continue to improve."

Auburn Journal

Possible layoffs loom over city

Employees say they weren't consulted

By Jenna Nielsen, Journal Staff Writer
3/11/08

State budget cuts and a grim economic climate have forced the City of Auburn to consider laying off seven employees.

Layoffs affecting the city Airport Manager Jerry Martin, Senior Accounting Technician Elisabeth Davis, the city's lead custodian, custodian, senior building inspector, office assistant and facilities maintenance worker are being proposed and, if approved by the City Council, could take effect March 28.

City Council members also voted 3-0 Monday night to make public a two-year retirement service credit, which is just part of an overall severance package city officials are preparing that should be ready by the end of the month, said City Manager Bob Richardson said.

Councilmembers Bob Snyder and Bridget Powers were absent.

Eight employees are currently eligible to participate in the incentive program, which city officials said would cost the city about \$276,000 up front, but could ultimately save the city roughly \$640,000 a year if all eligible employees participated.

Richardson said before the meeting Monday, that the consideration of layoffs came as a result of several economic factors.

"The first thing is a structural financial issue that the city has struggled with for a couple of decades," Richardson said. "This was an issue we knew was coming and prepared for, however, at the same time, we are feeling the effects of an economic downturn and the state is shifting its budget problems to the cities, which required the need to take action."

Richardson said city officials have been bolstering reserves for years and cutting back on expenditures in anticipation of the city's structural financial problem.

"If there wasn't the issue of the state and overall economy, the city would have been prepared to handle our structural problem much more effectively," Richardson said.

Martin told the council during Monday's meeting that he has been given a termination date.

"I'd like to confirm publicly what I was told privately," Martin said. "I was informed by the City Manager that my position had been eliminated. I was not consulted — I was given a termination date and told when my last day of work would be."

Davis said she has been working for the city for more than 15 years and was planning to retire in a few years, but is now in a difficult position.

"I don't really have a choice," she said. "A two-year retirement incentive would be nice, but I am going to lose two years of health insurance and two years of wages. I am a little puzzled for having worked here as long as I have. We were basically given our walking papers and told to go away."

City officials are still assessing the financial impacts the state's budget will have on Auburn's economy.

"It appears to be getting worse with time," Richardson said. "We are preparing a reorganization plan for the council and prioritizing service levels to be provided and basing them off of a three-year financial plan."

Richardson said there will have to be some service cuts, but that he and city staffers are focusing on prioritizing the services in order to maintain them at high levels.

All three councilmembers present issued their sympathy to those who may be affected by the layoffs

"There are certain times on the council where we have to make heart-wrenching decisions," said Mayor Keith Nesbitt. "This is one of those times. This affects people. On paper, we are eliminating positions, but in reality we are dealing with people. I apologize that we are in this position, but we are and we were elected to make these difficult decisions."

The council is expected to vote on the plan, which includes the layoffs, at its March 24 meeting.

In other business Monday night, the council voted 3-0 to deny an appeal of a recent City Planning Commission's decision to approve a 15-foot rear yard setback variance for a 1,680 square foot addition to a residence on Floradale Lane in Auburn.

A 25-foot setback is usually required in single-family residential zones, but according to city staff reports, a building permit for the property was issued in error.

The appellant, neighboring resident Tammy Forrest, requested three conditions of approval to which the applicant, Jeffrey Hayes, said he could not comply with.

While she was present at the meeting, Forrest did not comment to the council on the appeal.

The council also voted unanimously to adopt an annual General Plan implementation work plan and housing element progress report for 2007 and directed staff to submit the plans to the state office of Planning and Development and the state department of Housing and Community Development.

The Journal's Jenna Nielsen can be reached at jennan@goldcountrymedia.com or comment on this story at auburnjournal.com.

The Seattle Bubble

Strong Local Economy Faltering, County Facing Large Deficit

Posted by The Tim on March 12th, 2008 at 9:28 AM ·

If you think our “strong local economy” is going to protect the Seattle area from feeling a pinch in the housing market and elsewhere as recession looms on the horizon, think again. The pinch is here.

With a cooling economy pinching tax revenue even as government costs rise, King County faces a \$45 million budget deficit in 2009 unless services are cut below current levels, county officials said Tuesday.

That projection is gloomier than the \$25 million general fund shortfall for 2009 forecast by County Executive Ron Sims in October. And the years beyond 2009 look worse still, county Budget Director Bob Cowan said.

The general fund relies primarily on sales and property taxes. The recent rapid growth in sales tax revenue is slowing with the economy. Property tax growth also is faltering: Although overall tax increases on existing property are capped at 1 percent in any event, new construction is exempt from that limit, and the housing slowdown has put a crimp in that revenue source, Cowan said.

So much for our special immunity. But as long as Microsoft and Boeing keep hiring, everything will work out, right?

How about instead of sticking our heads in the sand and pretending everything will just be okay, we get in gear and start looking for ways to work through the hard times that are almost certain to be just around the corner?

Along those lines, I received an email from a reader that wanted to discuss “where people should spend their tax rebate checks in a way that will truly benefit our economy.” Personally I

think the problems with our economy are beyond the point where putting a few thousand dollars in everybody's pocket is going to help things. I'd suggest using the money to pay off a little debt, do a little contrarian investing, or just plain save it... pretty much anything *but* spending it.

Anyway, how do you think individuals, families, and local governments can best prepare for a serious economic slowdown?

Sacramento City News

Budget plan taps reserves

By Ed Fletcher - efletcher@sacbee.com

Published 12:00 am PDT Friday, May 2, 2008
Story appeared in METRO section, Page B3

Facing an enormous deficit, top city officials announced their plan Thursday to shrink the size of city government, cut services and pay down the rest by dipping into a \$30 million "rainy day" reserve fund.

"This will not be a pain-free budget," said Assistant City Manager Marty Hanneman.

The plan he outlined will be presented to the City Council on Tuesday. The council will then hold formal hearings through mid-June, and must approve a balanced budget by the end of the fiscal year on June 30.

The hearings promise to be wearing, as Hanneman said virtually every city department – with the exception of police and fire – face 20 percent cuts. The public safety agencies are facing cuts of 8 percent each.

Tough measures were required, officials said, for the city to hack away at a deficit estimated at \$58 million for the fiscal year beginning July 1.

Hanneman called for \$32.5 million in cuts, raising \$6.3 million in new revenue and increased reimbursements, and using \$20 million of the reserve fund.

Russ Fehr, the city's finance director, said the City Council had the foresight to stash away \$30 million for times just like this.

"Exactly what they put that money away for, they are using it for now," Fehr said.

Fehr and Henneman said the city's earlier actions, layoffs, a hiring slowdown and buyout offers will mean that 10 or fewer "warm bodies" face layoffs.

Hanneman said the city will try to make the cuts in areas least noticed by the public, but that residents will feel the cutbacks.

Residents can expect a lower level of maintenance at parks and possible delays in planning services. Also, dozens of police positions will remain vacant.

In February, the city gave pink slips to 28 employees. The hiring slowdown (only essential personnel could be hired) has resulted in 260 vacancies that won't be funded in the budget, officials said. And an additional 115 employees have already agreed to walk away from their jobs.

Fehr said 10 people represent a fraction of the city's 3,943 general fund employees.

The staff reductions and other actions will help close the gap between the city's rising costs and its flattening revenue, but won't close it entirely. Reserves will be used to balance the budget.

That gap is expected to resurface after July 1, 2009 – and a deficit of up to \$40 million is estimated for that new fiscal year.

The fiscal crunch has become an election issue as Kevin Johnson's mayoral campaign criticized Mayor Heather Fargo, saying she had not explained how the budget got so out of whack.

"Heather Fargo should have come out and explained to Sacramentans why we have a \$58 million shortfall," said Christy Setzer, a spokeswoman for the Johnson campaign.

She added that Fargo had weeks to prepare but seems to have "gone into hiding, releasing the budget on a Web site without comment."

Johnson, through Setzer, declined to discuss budget specifics. Setzer said Johnson would do that soon.

In announcing the projected \$58 million deficit on earlier occasions this year, city officials said the downturn in the economy and increased home foreclosures have resulted in reduced sales and property tax revenue, among other things. City officials, including Fargo, hosted a number of community forums on the budget in March.

Rather than hold a news conference, Fargo said city leaders decided to brief the press and post the budget details.

"I feel like the community is pretty aware," Fargo said. "I stood up and said that: 'We have a \$58 million deficit.' I don't feel like I've been hiding from this issue at all."

She said the proposed budget reflects the City Council's vision.

"None of us wanted to make any of these cuts," Fargo said, "but we are trying balance the priorities of the community with the funds that are available."

City of Reno

Proposed Budget Tightens Belt to Manage Economic Downturn

Posted Date: 5/1/2008 10:10 PM

Like all local governments, the City of Reno is facing impacts of a major economic downturn that shows no signs of immediate relief. Despite the economic news, the proposed FY 08/09 budget includes a number of measures and actions that will manage the downturn in the economy and balance the budget. At the same time, the proposed budget will not impact services to citizens and makes avoiding layoffs a priority.

The Reno City Manager and staff began presenting the FY 08/09 to the Reno City Council on Thursday, May 01, 2008. By June 30th, the City of Reno anticipates a projected shortfall in revenues of \$7.6 million dollars or roughly four percent of the \$188 million dollars in the General Fund. Still, the proposed FY 08/09 budget is balanced and would offset the shortfall through a number of actions and measures.

City Manager Charles McNeely told Council this is the first time in his tenure no new positions are being recommended. As for personnel, other cost savings proposals include: keeping 70 positions vacant (this does NOT include Public Safety positions), keeping estimated callback, overtime and holiday pay at the same level as the current year, holding pay-for-performance raises to an average of 3.5% and offering an early out retirement program city-wide within certain guidelines.

Other proposals include: decreasing annual contributions to the Workers Compensation Fund and the Risk Management Fund, deferring the replacement of vehicles and reassigning those with little use to other departments, reducing travel and training across the board as well as outside services, maintaining a 2% hold back of budgeted expenditures, reductions in capital outlay, raising additional revenues and restructuring interfund transfers.

Las Vegas Sun

Council finds soft spot for needy

Group may share 'special events' funds with elderly poor

By Joe Schoenmann, Sam Skolnik

Fri, May 9, 2008 (2 a.m.)

Las Vegas City Council members soon may trade in a fraction of their "special events" budgets, typically spent on parties, luncheons and gifts, for something arguably much more important: subsidized meals for thousands of the city's poorest seniors.

With the city facing budget cutbacks amid a countywide economic downturn, City Hall officials are looking at every agency for possible savings.

One area to be mostly spared, however, is the special events funding available to each council member and Mayor Oscar Goodman to help pay for community events, gatherings where items

such as pencils, water bottles, candy bars and beach balls emblazoned with the elected officials' names are sometimes given away.

Rather than eliminate the special events budget — which has come under criticism as campaign activities at taxpayer expense — officials plan to cut it only slightly.

City Finance Director Mark Vincent said he will likely recommend to the council this month that the special events budgets for Goodman and the six council members be cut from \$35,000 each annually to about \$30,000.

The money removed from the special events budgets would be diverted to the city's Senior Meal Program, which for years has provided inexpensive lunches to seniors at some of the city's community and senior centers.

The \$46,000 meal program was on the chopping block because of the city's tightening budget, Vincent said. Council members themselves came up with the idea to divert funds from their discretionary special events budgets to save the meals program, he said.

"The idea is that we've got to pay for this someplace," Vincent said.

If the council and the mayor agree to cut a total of \$35,000 from their special events budgets, city officials said, the remaining \$11,000 needed to fully fund the Senior Meals Program could be found relatively easily.

The Sun reported in January that council members had spent more than \$190,000 of taxpayer money on special events during the previous 18 months.

Ethics experts and taxpayer advocates have cautioned that these "special events" — which have ranged from holiday dinners to community center grand openings — could be used as political efforts to boost future reelection campaigns rather than governmental or constituent service.

Critics also have taken the council to task for the amount of money spent on these events, noting that Clark County commissioners are allocated just \$15,000 for them. Moreover, with the dollars often paying for balloon artists, disc jockeys and other entertainment at community events, some argue that the funds would be better spent on essential city services.

Until July, the city's special events spending was handled by the Leisure Services Department. That month, the city changed how such events were tracked, and capped the annual amount each council member and the mayor could spend on special events at \$35,000 each. Previously, there was no ceiling on that spending.

From July 2006 through October 2007 three council members — Steve Ross, Gary Reese and Lois Tarkanian — spent from \$47,327 from \$59,312. Others, including Goodman, spent more modest amounts, from \$1,935 to \$18,190.

Council members have defended the special events budgets, saying they're a valuable means of connecting with constituents.

"I don't think it's totally expendable," Tarkanian said. "You need things that spark people, get them going. We feel it's a public service."

Tarkanian spent \$47,327 on special events during the 16-month period examined by the Sun, the third-highest amount among council members, on special events that included a "Bike Rodeo" for children and teens, in which police officers demonstrated bike safety techniques, and Thanksgiving and Christmas dinners she hosted for some of her poorer constituents.

Although council members by and large defend their special events budgets, they said they're happy to have that funding reduced to help poor seniors.

"We have seniors in this community who lack appropriate medical treatment as well as food," said Councilman Ricki Barlow, who added that several Ward 5 constituents have told him the subsidized lunches paid for by the Senior Meal Program often are their only hot meal of the day.

As for reducing the special events budget to help pay for the meals program, Barlow said: "I not only think it's wise, I think it's a moral and ethical obligation."

Reese agreed.

"I certainly believe we have to keep these nutritional meals for seniors," he said. "Everybody who uses the nutritional lunch program really needs it."

Since 2004 the meal program has provided subsidized daily \$2 lunches for seniors at the East Las Vegas Community Center and the Doolittle Senior Center, which is being renovated. At the Las Vegas Senior Center on East Bonanza, the program has sponsored hamburger meals every Tuesday.

But, echoing the sentiments of his colleagues, Reese said he does not think it would be advisable to eliminate the special funding, even to make a move that would be both symbolic and substantive in tough budgetary times.

"It's important that we're able to do those things that we have in our wards and stuff," Reese said.

Jacksonville Times-Union

Jacksonville puts 40 New Officers on the Street. It would be first expansion of force since 1999

By DAVID HUNT, The Times-Union

Jacksonville officials announced plans Monday to hire 40 new police officers, the first expansion of the force in nearly a decade.

The city is using unspent jail funds to pay for new additions through the end of the city's fiscal year, Sept. 30. But with the city facing a 10 percent drop in anticipated property tax revenue and

warning of potentially dire budget cuts, no one is certain where the funding will come from after that.

"I don't think many people would argue that we don't need more police officers, but we're trying to make ends meet. I'm sure the details will be debated heavily," City Council President Daniel Davis said.

The council is expected to see legislation today authorizing the new positions, which will be funded for the next several months with \$300,000 in surplus inmate medical and food costs. Sheriff John Rutherford said corrections budget planners overestimated inmate overcrowding in the county lockup. "We're still over capacity. We're just not as over capacity as we thought we would be," he said.

The expansion would be the first since Jacksonville police grew by 30 officers with the help of federal grants in 1999, Rutherford said. If the council approves, the officers will be hired over the next several months and undergo an 11-month training regimen starting in July, putting them on the street by June 2009.

"This is not going to be a quick fix, but this is a critical step," Mayor John Peyton said.

Because the training classes can take 40 officers at a time, Peyton said city officials scoured the budget to free up enough money to hire that many.

The expansion increases the number of sworn police officers to 1,706. Rutherford said he expects needing between \$1.2 million and \$1.5 million to continue funding the positions annually. Other needs, such as patrol cars and equipment, are expected to cost millions more but will be absorbed in future budgets, he said.

While announcing the plan Monday, Rutherford and Peyton each stressed the need for more officers.

Violent crime overall is on the rise, but Jacksonville saw 152 homicides in 2007 and has seen 43 so far this year.

"We're putting a stake in the ground. We are the murder capital of Florida. It's one of the greatest barriers to our future, being in a violent city," Peyton said.

Rutherford and Peyton agree on the need for more officers, but the question is how many the city can afford.

Several months ago, Rutherford asked for 225 additional officers. The law enforcement committee for the anti-crime initiative, Jacksonville Journey, recommended hiring 101.

"We got 40. That's not much of a dent. We're still seeking more," Rutherford said Monday.

He acknowledged taking money from the jail budget at a time short-staffing is costing the corrections department nearly \$7 million annually in overtime. Citing a recent audit by California-based Matrix Consulting Group, Rutherford said the jail is short more than 100 corrections officers.

Police union chief Nelson Cuba has said the shortage was partially to blame last month when an inmate raped a corrections officer twice while holding her in the jail's law library.

Rutherford said the decision was not meant to say street patrols are more important than correctional work, but he said he thinks a stronger police presence could cut down the number of people incarcerated.

"We're not funding one thing instead of the other. We need both. But the police positions, if we don't get them out there, violent crime and murder will increase," he said.

Jacksonville Journey, estimated to cost \$35 million, also calls for after-school and neighborhood programs intended to cut down crime.

John Rood, co-chair on the initiative's steering committee, said more uniformed officers on patrol is crucial.

"There are neighborhoods where children only see police when they're there to arrest someone," Rood said. "This isn't a brand new problem, but now that it has our attention, we have to deal with it."

THE VIRGINIAN-PILOT

FACING A SHORTFALL, CHESAPEAKE FINDS EXTRA \$1.9 MILLION THE SURPLUS SHOULD GO TO ONE-TIME CAPITAL PROJECTS, THE CITY MANAGER SAYS.

A week before it must pass a capital budget that has contained more headaches than handouts, the City Council on Tuesday found it has an extra \$1.9 million to spend.

Although that's only one-tenth of what is needed to cover a shortfall in funds over the next two years, it is enough to cover several key, previously unfunded projects.

They include the realignment of Kempsville and Greentree roads, lighting for the Great Bridge baseball complex, and a satellite office in Deep Creek for the commissioner of revenue and treasurer's offices.

The council has yet to formally approve the new projects, which total about \$1.1 million.

City Manager John L. Pazour recommended that the money be spent on one-time capital projects rather than apply it toward the coming expenses.

Pazour said that since the money is surplus capital funds from previous projects, using it to cover the shortfall would disrupt the city's accounting without solving the crisis.

Although the city's books are now fine, Chesapeake is facing a \$19 million budget shortfall in the combined operating and capital budgets over the next two years.

The crunch came as a result of a downturn in growth, tax revenues and the cost of maintaining and operating school and road projects that were undertaken to cope with growth.

The City Council must approve the capital budget by the end of the month.

Pazour recommended that the council address the shortfall when it approves its operating budget in May, since most of the money is from costs associated with running or maintaining the projects, not building them.

At that time, the council will consider raising some taxes or fees to increase revenue.

Chesapeake is expecting \$1.5 million less in revenue this year, thanks in part to a natural downturn in development and council's efforts to control growth.

Pazour recommended that the City Council approve the capital budget with only an increase in the local 911 emergency service fee from 50 cents per month to \$1.95 per month.

The money would be used to help pay for a new emergency radio system.

Chesapeake's current system is considered outdated and potentially dangerous to police and firefighters.

Pazour last week called for a moderate hiring freeze as well as a moratorium on new city projects until finances improve.

San Francisco Chronicle

S.F. kids may have to leave treatment center

Heather Knight, Chronicle Staff Writer

Monday, May 5, 2008



(05-04) 17:11 PDT -- It was founded during the Gold Rush for kids orphaned by parents off seeking riches, and Edgewood Center in San Francisco's Sunset District has been treating and housing the city's most troubled children ever since.

The modern-day stories are almost unbearable. Kids treated at Edgewood in the past several months include a suicidal 10-year-old, a 12-year-old prostitute, a boy who threatened to set his grandmother on fire, a girl who repeatedly lay down in the middle of traffic and a child who saw his parents killed.

"We've always been there for San Francisco families, no matter what the issue is," said Nancy Rubin, Edgewood Center's chief executive officer. "Now the issues are poverty, drugs, AIDS, parents going to prison, violence."

But the grand facility on Vicente Street that has helped shepherd the city's families through earthquakes, depressions, wars and the crack cocaine epidemic of the 1980s will soon shut its heavy wooden doors to San Francisco children if the city doesn't provide financial support.

On June 30, the kids at Edgewood who come from the city will be discharged, and the facility will no longer accept new referrals. The facility will remain open to children from other counties that help pay the costs. Edgewood has issued this threat in the hopes of convincing San Francisco to find \$661,000 in its 2008-09 budget for the facility - or what Edgewood says is \$90 per child per day.

It doesn't sound like much, but to a city facing a \$338 million budget deficit for the coming year, it's an enormous burden that may not be a top priority.

Trent Rhorer, director of the city's Human Services Agency, has already sent a proposed budget to the mayor that slashes \$15 million from his department. Under his proposal, 48 positions will be eliminated, the Ella Hill Hutch homeless shelter in the Western Addition will be closed, and a taxi voucher program that helps seniors and the disabled get around the city will see its funding reduced, among other cuts.

"Although we value the work that Edgewood does, we're faced with many difficult choices in this budget season, and we currently don't have room in our budget to make up for their shortfall," he said.

Dr. Robin Randall, Edgewood's medical director, said the city's view is shortsighted. Rhorer's agency spends millions treating mentally ill homeless people - which is what Edgewood's children will probably become without intervention, Randall said.

"If you don't take care of these kids now, you'll be taking care of them later," Randall said. "They'll wind up being the ones urinating on your doorstep."

At any given time, Edgewood can house 36 children ages 6 to 17, some of them staying just a day or two and others for as long as 18 months. A few of them were born with severe mental problems that even the healthiest of families can't cope with, but most have been traumatized by extreme abuse and neglect.

It costs \$500 per child per day to cover the costs of medical care provided by on-site psychiatrists and nurses, as well as behavioral therapy, education, recreation and room and board. Rubin said psychiatric hospitals, by comparison, cost \$1,300 per child per day.

State falls short

Edgewood and other residential treatment facilities are supposed to be funded by the state, but California hasn't raised its reimbursement fees since 1999. The current gap once all funding sources are taken into account is \$90 per child per day, Rubin said.

Counties that refer kids to facilities like Edgewood - usually through their mental health, child welfare or juvenile probation departments - are increasingly forced to help pick up the tab. Rubin said all Bay Area counties who refer children to Edgewood contribute financially - except San Francisco. The city for the first time contributed \$300,000 this fiscal year, but has zeroed it out for 2008-09.

Edgewood has always had an active fundraising arm. But in the past five years, the facility has had to use \$10 million - slightly more than half of the investment account it has built up since 1851 - and fears that pot will soon be drained.

Rubin said the facility's board of directors feared it would go broke and be unable to continue a variety of community programs it runs in schools and neighborhoods that help 5,000 children a year. That's why they voted in February to stop housing San Francisco children this summer if the city doesn't pay up.

Dire predictions

Rick Mariano, a member of Edgewood's board and the son-in-law of U.S. Sen. Dianne Feinstein, said he knows exactly what will happen to the city's children if they're discharged from Edgewood.

"These kids will be dead. That's what will happen to them. They will complete their suicide attempts," said Mariano, who has been spending much of his time at City Hall pleading Edgewood's case. "We're going to make as much noise as possible. We're not just going to let it happen."

Rhorer said the city currently has 10 children at Edgewood, and that San Francisco will find proper placements for each one of them if they're discharged. Options include placing them in

foster care, sending them to residential treatment facilities outside the city, or finding a way to target intensive mental health services to them while they live with relatives, he said.

Besides, he said, research shows institutional care doesn't provide the best results for troubled kids and is closely linked with increased involvement in the criminal justice system, poor educational outcomes and broken family relationships.

It's also costly, totaling \$182,500 for a year's stay at Edgewood for one child compared with the \$650 monthly the city pays foster care families who take in one child, Rhorer pointed out.

San Francisco has been trying to reduce its number of children in residential treatment care and has successfully lowered the number by 5 percent in the past year, he added.

Edgewood's staff agrees kids shouldn't be institutionalized for long periods of time, but said there are children who need the intense level of care that even the best foster care homes can't provide.

"It's definitely sad," said Jill Anderson, the facility's intake coordinator. "You wish there didn't need to be a place like Edgewood. But the reality is, there does."

To get involved

The San Francisco Board of Supervisors' Government Audit and Oversight Committee will hold a special hearing on Edgewood and the larger question of residential treatment for city children as part of its regular meeting at 10 a.m. today in the board chambers.