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## EMBARGOED UNTIL 12:01 A.M. WEDNESDAY, NOVEMBER 5

For more information, contact Laurence Msall, 312-201-9044



### CIVIC FEDERATION: CHICAGO BUDGET RESPONSIBLE *Supports Painful but Necessary FY2009 Payroll Cuts*

Given the reality of the City of Chicago's rising expenditures, declining revenues, and growing personnel costs, the Civic Federation **supports** Mayor Daley's painful but necessary reduction of the City's payroll by 2,628 full-time-equivalent positions. The Federation's full 53-page analysis of the proposed FY2009 \$5.97 billion spending plan will be released on our website, [www.civicrofed.org](http://www.civicrofed.org), today.

The Civic Federation supports the Mayor's budget as the most appropriate response to the single biggest driver of City spending: personnel costs that make up over 82% of the operating budget. "Chicago has no responsible choice other than cutting personnel spending to balance this budget," said Laurence Msall, president of the Civic Federation. "An economic downturn is precisely the wrong time to raise broad-based taxes such as property or sales taxes and further burden struggling businesses and residents."

In addition to personnel cuts, the City will consolidate nine of its departments into four departments, saving \$7.6 million by reducing payroll, administrative, and human resources expenses. The Civic Federation strongly supports efforts by governments to increase efficiency and reduce costly duplication in their operations. The Federation also supports the City's reduction of non-personnel expenditures by \$39.0 million. Selective tax and fee increases and more aggressive cost recovery efforts are also reasonable moves by the City to generate \$52.3 million in increased revenue.

In its analysis, the Civic Federation commends Mayor Daley for successfully negotiating a long-term lease of Midway Airport. The Federation has long praised the City of Chicago's leadership in sensible alternative service delivery initiatives. Midway Airport is not a core asset of the City, making it a prime candidate for private management. Furthermore, most of the proceeds from the lease will be used to invest in infrastructure needs around the City and pay down Chicago's punishing pension debt. The Federation is concerned, however, that the City will use \$100 million of the lease proceeds over the next five years for recurring operating expenses rather than using some of those monies to reduce liabilities. The City will also use \$150 million in proceeds from the anticipated parking meter lease to close its FY2008 and FY2009 budget deficits.

Despite the Federation's overall support of the budget, the organization retains **significant concerns** about the City of Chicago's financial future. The City plans to hold a mere \$1.5 million in contingency reserves in its FY2009 budget. This is a miniscule 0.05% of the Corporate Fund balance and is far below the fiscally prudent level of 5-15%. Such low reserves have already negatively impacted the City's ability to deal with the current economic downturn. At least some of the proceeds of the Midway Airport and parking meter leases could have been used to increase reserves.

The City's Fire, Police and Municipal pension funds are in a severe funding crisis. Their already extremely low funded ratios will no doubt fall further when recent losses in the stock market are calculated. The City must implement pension benefit reforms that will stabilize its long-term pension obligations. The Civic Federation recommends that the City reduce benefit levels for new employees and develop a long-term funding plan that would gradually increase assets and reduce liabilities. "The Civic Federation calls on Chicago to work with the General Assembly to rationalize the City's pension funding requirements by tying them to funding levels," said Msall.

*The Civic Federation is an independent, non-partisan government research organization founded in 1894. The Federation's membership includes business and professional leaders from a wide range of Chicago area corporations, professional service firms and institutions.*