

City eyeing freeze on out-of-state travel as Dixon departs for Egypt

Stephen Janis, Baltimore Examiner, October 23, 2008

As Baltimore City struggles to close a \$37 million budget gap, another key council member is asking finance officials to dip into the city's rainy-day fund to make up the shortfall, and freeze out-of-state travel for city employees.

The proposal comes as Mayor Shelia Dixon departed on a five-day \$17,000 taxpayer-funded trip to Alexandria, Egypt as part of the Baltimore's "sister city" program.

Declining tax revenues from real estate sales and overruns in police and fire overtime spending prompted city officials to extend a hiring freeze, shutter the police community relations unit, and delay purchases of new fire equipment to close the budget gap announced Monday. The city also is seeking to cap increases in pension payouts at 1.5 percent, which would save the city \$54 million per year in pension contributions.

City Council Member Bernard "Jack" Young, chairman of the Budget and Finance Committee, joined Councilman Robert Curran Wednesday in urging the city to take \$23 million from the \$92 million rainy day fund.

"I agree with my colleague Councilman Curran that it's pouring now, and we should use some of that money," Young said.

In a closed-door briefing with finance officials on Tuesday, Young said he was rebuffed in his efforts to persuade city officials to tap the rainy-day fund.

"Basically their contention is that we have to save the money for the 2010 budget, because they think the state cuts will be much worse then and that the budget deficit could get worse," he said. "They said it's only drizzling right now."

Deputy Mayor Chris Thomascutty warned Tuesday that the \$37 million deficit could expand if state aid is cut further, a possibility raised by state officials as a faltering economy prompted \$300 million in state budget cuts announced this month.

Young said he also plans to introduce a resolution at Monday's City Council meeting calling for a freeze in out-of-state travel by city employees. "I think we have to find ways to cut back, and this is one area that would be a good start."

But City Councilman William Cole, who chairs the council's special committee on property tax reform, said he does not support using rainy-day money now. "We could just be seeing the tip of the iceberg in terms of the deficit, right now. I think we have to look at saving money instead tapping into new funds."

Meanwhile, city finance officials prepared to make the first foray into the bond market since the international credit crisis practically froze the municipal bond market. Seeking to refinance a \$77 million parking revenue bond and a \$170 million general obligation bond, finance officials are anxiously waiting to see if the city will have to pay higher interest rates to refinance the bonds.

“Perhaps it might not be the right time to be confident. However, the City of Baltimore has a very good reputation in the municipal bond market and is seen as a good credit,” city finance director Edward Gallagher wrote in an email to the Examiner. “I think that will help a lot.”