

## City projections show \$127 million budget shortfall for next year

By Julie Scharper, *Baltimore Sun*, December 1, 2009

Baltimore must trim \$127 million from its threadbare budget for next year to account for plummeting revenue and ballooning pension costs, according to projections slated to be presented at a City Council hearing this afternoon.

The grim figures indicate the city, still reeling from sweeping cuts earlier this year, must dig even deeper to balance next year's budget. Officials laid off dozens of workers, instituted furlough days, closed recreation centers and limited hours at pools and libraries as a result of this year's tight finances.

"It's almost immoral the way the budget is shaping up," Deputy Mayor Christopher Thomaskutty said. "At the end of the day, there's going to be significant service impacts if we don't see some changes."

It was unclear whether Mayor Sheila Dixon, who was convicted this morning of taking gift cards meant for the poor, will attend the hearing.

The budget projections do not take into account an unusual hefty pension benefit for police and firefighters that city officials hope to renegotiate. If an agreement is not reached, the city would be forced pay an additional \$64 million, doubling the amount paid to the pension fund this year.

Despite massive spending reductions, including a recent round of \$60 million cuts, the city still faces an estimated \$52.5 million deficit for the current \$2.2 billion budget, said city budget director Andrew W. Kleine.

Members of the council's budget committee, which requested this afternoon's hearing, said that they are deeply concerned by the city's financial state.

"There is no doubt city government will have to make difficult and painful choices in the months ahead," said finance committee chair councilman Bernard C. "Jack" Young said in a statement. "We need to brace ourselves and be proactive to get ahead of the problem."

High unemployment and a stagnant housing market have caused sharp drops in income tax and property sales tax revenues, according to the report prepared by the finance department. In addition, the state withdrew \$50 million in funding for the current budget year and could cut more in the future.

The city has eliminated more than 500 jobs, including laying off more than two dozen employees, reduced trash pickups and implemented rotating closings of fire stations to

tighten the budget for the current fiscal year. A hiring freeze has been in place since November 2007 and many capital projects have been put on hold. Government offices are set to close for five mandatory furlough days. Most of the unions that represent city employees have agreed to cuts, but the Fraternal Order of Police is engaged in arbitration with the city over reductions.

"What we've done so far may pale when compared with what's coming for the following fiscal year," said Keine, adding that the city will be forced to cut services and jobs.

There are no plans to institute furloughs in the coming year or to dip into a \$100 million rainy day fund, Keine said, explaining that those are only stop gap solutions.

The one bright spot in the city's financial outlook in the past year came in April when finance officials discovered \$40 million in an obscure account. That money, considered surplus, was used to reduce the city's planned bond purchases in accordance with city law.

When the stock market performs poorly, the city must reach deeper into its coffers to pay pension costs not covered by investment funds. The city will need to pay \$30 million more in pensions next year, not including the controversial benefit which requires a permanent pay increase for retired firefighters and police during years with positive stock market returns.

The Greater Baltimore Committee is expected to announce a recommendation in the coming weeks to fix the pension issue. The Dixon administration has suggested raising property taxes if a solution is not found.

"I don't know where were going to come up with the money to plug these holes," said Councilman William H. Cole IV. "The property tax rate at a certain level is already hindering Baltimore's growth."

The city needs to be "very creative" in addressing the budget shortfalls, Cole said, adding that he would like to look into generating taxes from city nonprofits.