

City told to gird for more budget cuts – Continuing drops in revenue, rising pension costs

By Julie Scharper, *Baltimore Sun*, December 2, 2009

Baltimore must carve \$130 million from its already stripped-down spending plan to account for plummeting revenue and mushrooming pension costs next year, according to projections released Tuesday 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.

"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."

City Council members, who requested Tuesday's budget hearing, said they are deeply concerned about the city's finances but remain fiercely opposed to suggestions to raise property taxes.

"If we even think this city will survive if we raise property taxes, we are sadly mistaken," said Councilman William H. Cole IV. "People are going to leave this city quicker than they ever have before, and it's not going to be because of crime. It's not going to be because of education. It's going to be because it's too expensive."

Council members suggested eliminating a supplemental police training program and improving the city's accounting practices in the collection of parking lot and amusement taxes.

"I would ask internally that we focus on accuracy in the accounting," said Councilwoman Helen Holton, a certified public accountant.

Several council members urged the city to look at taxing the nonprofit organizations and hospitals that operate in the city.

"People look at Baltimore City as almost the nonprofit capital of the state," said Councilman Bernard "Jack" Young, who chairs the finance committee. Although nonprofits pay telecommunication and energy tariffs, they do not pay sales or property taxes.

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 to pay an additional \$64 million, doubling the amount paid to the pension fund this year.

Despite large spending reductions, including a recent round of \$60 million cuts, the city

faces an estimated \$52.5 million deficit for the current \$2.2. billion budget, said city finance director Edward J. Gallagher.

High unemployment and a stagnant housing market have caused sharp drops in income tax and property sales tax revenues, according to a finance department report. 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. A hiring freeze has been in place since November 2007, and many capital projects have been put on hold.

Most of the unions that represent city employees have agreed to cuts, including five mandatory furlough days, 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 city budget director Andrew W. Keine, adding that the city would 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, Gallagher said. "We only go into the rainy-day fund when all reasonable options have been exhausted," he said, adding that city law requires that money taken from the fund be repaid the following year.

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 that requires a permanent pay increase for retired firefighters and police during years with positive stock market returns. A team of city business leaders is slated to release a plan to address the pension problem in the next few weeks.