



MICHAEL P. BELL
MAYOR

COPY

September 20, 2011

To: The Honorable President Wilma D. Brown and Members of City Council
From: Stephen J. Herwat, Deputy Mayor – Operations
Subject: **Ordinance 423-11 – AFSCME Local 7 Implementation**

Finance Director Patrick McLean will report today that the City of Toledo will experience between a \$5 million and \$8 million General Fund deficit at the end of 2011. We have previously advised you that we project that total 2012 General Fund revenues will be \$10 million less than 2011 due to cuts in the Local Government Fund and the fact that we cannot rely on one time fixes such as sales of assets in 2012.

In March of this year you adopted a budget that contained \$15 million in one time fixes, including \$4.85 million in asset sales, at least \$7.5 million in CIP transfer, and moving funds from trust accounts into the General Fund. In 2011, we are paying over \$11.4 million across all funds for the employee's share of pension pickups, with \$6.7 million of this coming from the General Fund.

Council not approving Ordinance 423-11 implementing a contract on Local 7 sends a clear message that the status quo is acceptable. Such a decision ignores the 2011 projected deficit, the \$15 million in one-time fixes, and decreased revenue in 2012. If you think the status quo is acceptable, you are sending a message to taxpayers that they are continuing to pay the vast majority of the employee's share of our employees' pension contributions and our employees' health care is more important than police patrols, fire service, parks and paved streets.

We had prepared a list (attached) of approximately \$8.3 million in residential streets for possible paving in 2012. If Ordinance 423-11 is not approved, it is clear to the Administration that this \$8.3 million will have to go toward employee costs to balance the 2012 Budget as opposed to paving streets in our neighborhoods.

Some of you are sending another message – that the interest of 2,600 City employees is more important than the interests of 287,000 Toledo citizens.

Next Wednesday we will be in Chicago to again meet with Moody's and Standard and Poors. Failure to demonstrate to these bond rating agencies that the City of Toledo is willing to control employee costs will certainly cast a negative light on our bond ratings.

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I know that some of you believe you are facing an extremely difficult decision, but in reality the choices are quite simple. This issue boils down to two simple options – one of which will be decided by your vote today.

Option 1 – approve the implementation of the Local 7 contract by passing Ordinance 423-11. This will set a benchmark for other negotiations this year to keep our 2012 budget balanced.

Option 2 – keep the status quo by voting down Ordinance 423-11 – the consequences of this action are:

- Eliminating the 2012 residential street resurfacing program as these funds will be needed to pay personnel costs in the 2012 General Fund budget.
- The layoff, by November 1st of this year, of 130 employees in positions across all departments.
- Elimination of funding for recreation and senior citizen programs.
- Reductions in staff that maintain our streets, fill potholes, fix water and sewer lines, repair cave-ins, trim our trees and maintain our parks.
- Delays in plowing residential streets after snowstorms.
- Reduced services to our citizens *without a reduction in taxes*.
- These reductions will endanger the renewal of the ¾% income tax in 2012.

Your vote today will not only decide which of these two options will be implemented, but will set the course for the future financial health of our City.



Stephen J. Herwat,
Deputy Mayor – Operations

Attachment

cc: Michael P. Bell, Mayor