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Chicago official predicts even worse budget problems in 2010

Chief Financial Officer Gene Saffold says higher property taxes are 'last resort'

By Hal Dardick

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Mayor Richard Daley's administration Thursday predicted a gaping hole in next year's budget that will eclipse the current financial problems -- even after the city exhausts its brand-new $320 million rainy day fund.

The anticipated $6.2 billion budget for next year could be more than half a billion dollars in the red because of plummeting tax collections and rising wages that account for more than 80 percent of the city's day-to-day spending, said Chief Financial Officer Gene Saffold. He announced the gloomy prediction as Daley aides began briefing aldermen in anticipation of public hearings next month.

Although higher taxes are "a last resort . . . nothing is ruled out at this point," Saffold said. "The mayor has instructed us not to look at property taxes as we move forward in 2010."

Daley has laid off city workers and pressured unions to take unpaid days off to save money this year, and aldermen and outside budget experts predicted that personnel cuts were likely next year. The biggest chunk of increased spending next year will come from $117 million in higher wages, benefits and pension fund payments, Saffold said.

"You have to look at personnel and personnel reductions because they represent 80 to 85 percent of the operating costs," said Laurence Msall, executive director of the Civic Federation.

Significant new taxes are unlikely, Msall added. "There is little that comes to mind that the city isn't already taxing or would be a new revenue source," he said.

Daley has been credited with bolstering city finances by innovative leases of public assets such as the Chicago Skyway. But after taking a public drubbing for the problem-plagued lease of city parking meters, the mayor will count heavily on one-time revenue from that deal -- including all of the rainy day fund -- to offset next year's bad news.

The bad economy has contributed to significant drops in sales, hotel and real estate transfer taxes this year, and those numbers are expected to be no better or possibly worse next year, Saffold said.

"It's a hell of a mountain to climb, especially if you're not going to lay people off," said Ald. Howard Brookins (21st), who has fought with organized labor over the non-union Wal-Mart's push to open a store in his ward, which he says would generate significant tax revenue.

Ald. Helen Shiller (46th) said she appreciated that the projections were less rosy than last year, when the administration overestimated how much revenue it would get.

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