

BUDGET ADDRESS OF THE HONORABLE RICHARD M. DALEY, MAYOR.

I come before you today to present the 2010 City of Chicago budget for your consideration.

As you can appreciate, it's been a challenging budget to craft.

We need your comments on it more than ever.

Not since the Great Depression 70 years ago have so many people suffered as greatly and for so long from a bad economy. The global recession that began over a year ago has been unprecedented in its impact on people's lives.

Even though some economists say the recession is ending, I see too many families that are still struggling to get by today, both in Chicago and across the nation.

Time and again, I've spoken to Chicagoans who have lost their homes or jobs. I share their frustration that businesses aren't hiring and that new jobs aren't being created.

Like you, I know that some families are still being forced to drain their bank accounts to put food on the table and pay their bills.

These Chicagoans are our neighbors, single moms, our senior citizens and working people of all backgrounds.

While I am confident that down the road the economy will improve, our revenues will increase and businesses will start to hire again, I don't see a huge turnaround in the next year.

Still, I know that if we act responsibly Chicago will get through these challenging times and emerge stronger for it.

More than ever, Chicago's working and middle class families need our support and to them I want to say: I hear you. I know you're struggling. I am fighting for you.

That starts with doing all we can to speed up our economic recovery and grow our economy.

Moving forward, we must better train our workers for the jobs of tomorrow.

And we must do more to create new jobs, new opportunity and new businesses so that we can help people get back to work.

By acting now, we can build a stronger, better future.

In the budget I present to you today, we will.

At the same time, as we all know, Chicago is facing an epidemic of needless violence that is

killing our young people.

The violence is horrible and wrong. I will not rest until we've done all we can to help end it.

Protecting our young people must be Chicago's shared mission.

We must do as the people of East Garfield Park did recently -- stand up to the gangbangers and say "enough is enough".

Just days after the tragic murder of Natasha Howliet, with the aid of the community, her killers were behind bars.

I want us to put our city's energy and passion into giving our children a good education, creating opportunity, protecting them and getting them on the right track in life.

In this budget we will.

At the same time, we must face up to the challenges of the recession and get more from every tax dollar, manage government even better and resist adding major new spending.

We also need to listen to people, who are rightly upset about taxes and a culture of misconduct that has become pervasive throughout society and across the nation.

In this budget, we will.

Times are tough for Chicago's families and just as tough for every city and state around the nation -- most of which are still experiencing a loss in revenue because of the recession.

The challenge is that even though our revenues are falling, people demand more services from cities, not fewer, to help them through tough times.

This forces cities to revisit their budgets, which must be balanced -- unlike the federal government which can run up a massive deficit.

With the profound challenges caused by the nation's recession in mind, I present to you a balanced city budget for next year that better manages our resources, responsibly meets Chicago's needs and protects our taxpayers.

First, this budget meets today's urgent needs. We will invest to help prevent youth violence, create new jobs and opportunity, provide job training and invest in much needed neighborhood improvements.

We will also invest to support those most in need -- including our seniors, the homeless and ex-offenders.

This budget invests a billion dollars in federal economic stimulus funds in areas such as job training, street resurfacing, and energy efficiency. This will help us create jobs and improve quality of life.

Next, the budget delivers on our commitment to better manage government. It cuts spending by another \$114 Million and returns non personnel spending to pre 2009 levels.

For our city's protection and to help us better prevent violence against our youngest, it maintains the number of officers in our police and fire departments. It uses new federal funding, including economic stimulus funds, to add 86 more police officers.

To protect our quality of life, it maintains basic day to day services such as garbage collection, snow removal and street sweeping.

And, it protects taxpayers by holding the line on taxes. In next year's budget, we will not raise property taxes. And we will not include any new tax, fine or fee, or increase any current tax, fine or fee.

With so many people struggling, this isn't the time to ask them to pay more.

It's time for us to give back to them. So we will also provide property tax relief this year to our hardest hit homeowners.

I am recommending that we use \$35 Million from the Parking Meter Human Infrastructure Fund this year to provide property tax grants to homeowners who will be hardest hit by the phase out of the 7% cap in Springfield.

Under our proposal, the details for which I'll announce soon, we will offer as much as \$200 to individual homeowners who are in need.

And, next year in Springfield we will once again pursue our agenda to re-enact the 7% cap on property tax increases, a circuit breaker program to protect homeowners and education funding reform.

Before I get to the details of how we'll balance the budget and invest in our city, I want to address another issue that I and the people of our city are deeply concerned about -- wrongdoing at all levels of government and business across the country.

I know people are frustrated and they have every right to be.

In this budget I hope it's loud and clear that I will not tolerate wrongdoing in city government.

Misconduct only undermines people's confidence in the job I'm trying to do for them. I'm just as frustrated as everyone else when it happens.

If anyone still hasn't received the message that misconduct in city government will be uncovered whenever and wherever it occurs, I recently named a new Inspector General, Joe Ferguson, a veteran Assistant U.S. Attorney in Chicago.

Joe is a dedicated, long time public official who has a long record of prosecuting wrongdoers and protecting the public and people should have every confidence in him.

Further, to protect taxpayers from misconduct by employees and those who do business with the city, we will strengthen the Office of Compliance and its ability to prevent fraud and wrongdoing in the women- and minority-owned business program.

This program is important to our city's future and people must know that it is run openly and honestly.

And, to make government even more open and transparent, we will soon put online all current statements reflecting the financial interests of city employees, elected and other city officials. We will also put online all members of boards and commissions.

I hope these steps, which are among many we've taken to prevent and uncover misconduct, build confidence in our actions and decisions.

I also hope that people have confidence in the budget we're offering today. After months of hard work, it has been developed by our budget chief, Gene Munin, and his staff.

It was difficult to craft, in part because revenues have fallen each month this year so that the projected deficit for 2010 is \$ 520 Million.

The deficit, as you know, is historically high in Chicago and other cities for two reasons:

First, the nation's recession is unprecedented -- far worse than any of us have ever experienced.

In Chicago since last year it has meant a drop of more than 17% in economically sensitive tax revenues including the sales tax, the real estate transfer tax and the income tax. Since the high point in 2007, economically sensitive revenues have fallen more than 31%.

Secondly, the cost of city government continues to increase, not because we're adding major new programs and spending, but because the cost of salaries, pensions, and health care grows.

Personnel costs make up 80% of the expenditures of city government.

Looking ahead, we are cautiously hopeful that some revenues will begin to recover, although we don't expect revenues to fully rebound for several years. No city or state in the nation can.

Thankfully, though, we cut spending well before we were hit by the recession's full impact. Had we not, the deficit would be far higher today.

The fact is, in addition to the \$2.5 Billion in spending we've cut during my Administration, last year we cut another \$168 Million. This year, we've already cut over \$59 Million and in this budget we will cut \$114 Million more.

You also need to know that because of good management we've been able to keep city property tax increases to an average of 1.3% a year since I've been Mayor, well below the rate of inflation.

And, in the last ten years, we've reduced the number of city employees by more than 6,200 even as we've added sworn police officers.

We've done 'more with less'.

As you know, this year we've taken meaningful steps to help reduce personnel costs, which have helped balance our budget this year and next.

Because I understand that people want their leaders to share in their sacrifice, starting with me, I asked every non-union employee to take unpaid and furlough days this year and next, which in 2010 will mean 24 unpaid days.

I would never ask anyone to do something I wasn't willing to do, first.

We also received the cooperation of most of the city's unions to take unpaid holidays, work weeks that are reduced by two hours, and comp time instead of overtime.

These important agreements, which are also in effect in next year's budget, have helped thousands of union members keep their jobs. And, they have helped us maintain city services.

I again want to thank labor leaders Dennis Gannon and Tom Villanova, and the leaders of each union who participated for their support, as well as the thousands of union members who wanted to be a part of the solution to our budget challenges.

At the same time, we've acted boldly, yet responsibly, to help protect taxpayers by leasing the Skyway, our parking garages and parking meters.

Why? To help build up reserves and so that if times became tough we could turn to these reserves -- not our taxpayers -- for help in balancing our budget and providing needed services to people.

Well, times did become tough. These are the toughest times in decades.

Without these agreements, we would now be forced to raise property taxes -- both this year and next year. We would be forced to raise other taxes and fees.

And, we would be forced to eliminate key programs that people depend on.

Over the next year, the parking meter agreement will fund a variety of programs through the Parking Meter Human Infrastructure Fund. This comes at the very time that people need us to stand up for them.

Through it we will invest more than \$100 Million to support those in need, including \$56 Million this year.

We will increase funding for home delivered meals to our seniors, housing and rental subsidies to low-income families and programs for ex-offenders.

We will increase funding for homeless shelter beds and food boxes, as well as the Share the Warmth program which helps needy families pay their heating bills.

Further, we will be able to maintain funding for our Plan to End Homelessness, which provides transition assistance for those in need.

And, we will increase funding for after school and summer programs for young people and we will create jobs.

Had we not leased city assets, we would be forced to do what many other cities are doing -- raising taxes and cutting basic services that people need now more than ever.

Other cities have been forced to reduce key services during these tough times. For example:

New York is expected to eliminate 2,000 positions.

Baltimore has eliminated live 311 service at night.

Boston has postponed \$600 Million in capital projects.

Milwaukee has proposed raising its property tax by 4.4%

Cincinnati is suspending curbside collection of yard waste.

Chicago has not. And we will not in this budget.

The bottom line is that no other city has this type of reserve fund to help them balance their budget. Chicago has led the way when it comes to implementing innovative management initiatives.

Thankfully, we acted early enough so that we could help cushion the impact of the recession on our residents.

Still, I am committed to get more from every tax dollar.

Months ago, I instructed the Budget Office to tighten the belt on spending and new hiring. They did.

It eliminated approximately 220 existing vacancies to save \$18 Million and saved an additional \$6 Million by eliminating cost-of-living increases for non-union employees.

It also cut another \$20 Million or 5.3% in non-personnel costs for contracts, equipment, travel and supplies.

Further, working with the Chief Financial Officer's Office, it will finance and restructure debt to generate \$118 Million.

All of this is reflected in next year's budget. So is the ongoing impact of the 2009 labor agreements and non-union wage reductions that I just discussed, which are expected to save \$70 Million.

But, even with these steps, we must do more to balance next year's budget.

I propose to eliminate two Tax Increment Financing districts either because they are inactive or they are set to expire anyway. From this, the City will receive approximately \$8 Million.

And, in a step I had hoped we would not have to take, we will borrow from the City's parking meter reserve funds.

I had hoped to avoid this and I understand that some may have problems with it.

But, as Mayor, I have the responsibility to provide the services that people need, especially now during tough times when they demand more from government, not less.

From experience I know that a service that one person considers to be non-essential is inevitably essential to someone else.

As I've said, now is not the time to burden people with higher taxes or the elimination of essential city services. So, I believe it is responsible to borrow from the reserves.

As the economy recovers, and after city revenues return to more normal levels, we plan to replenish it.

How do we plan to use these parking meter reserves next year?

First, we will advance the \$100 Million 2012 Parking Meter mid-term reserve into 2010. As you know, we're already using the rainy day fund to help balance the 2009 and 2010 budgets.

We will also use \$270 Million from the parking meter long term reserve account with the plan that this will be replenished when revenues have rebounded.

I want to be clear. We will not use any of the Skyway's long term reserve fund of \$500 Million to balance next year's budget. It will remain intact.

The \$100 Million in mid-term reserve funds originally established for 2011 remains intact as well.

When you add these to the \$130 Million left from the parking meter long-term reserve fund, the city's will have a reserve fund balance of \$730 Million.

We can choose to use those reserves, or not, in the years ahead.

At the same time, I will continue to advance efforts to reshape government so that we better provide the services that people need.

To serve our families and businesses in a more coordinated way, this year we created a combined Department of Family and Support Services and a combined Department of Business Affairs and Consumer Protection.

As I've said, in next year's budget we will ask the Department of Compliance to streamline the certification process for minority- and women-owned businesses.

We will better align our infrastructure maintenance programs by moving street lights, traffic signals, and red light camera responsibilities to the Department of Transportation.

And earlier this year, we worked with Cook County to transfer responsibility for the issuance of vital records from the City Health Department to the County to better serve people.

With this in mind, I have asked my staff to continue to work with Cook County to identify other opportunities where we can combine overlapping responsibilities.

Better management alone will not help us address our most pressing challenges.

There is no greater or more immediate challenge facing Chicago today than ending the violence that is needlessly killing our young people.

When a young person is killed, it diminishes each of us.

I've lost a child. There is nothing more devastating for a family to experience.

Yet, I'm very concerned that too many people still seem to accept the violence as a fact of life when you live in a big city.

And, even with the best efforts of the Chicago Police Department and thousands of Chicagoans who rally against it every week, as well as the many community and religious groups that offer positive programs for our children, the violence continues.

It doesn't make me feel any better that at the very time the city's homicide rate is dropping and the number of shootings is lower than last year, the violence against our youngest goes on.

Ending the violence must be Chicago's crusade and each of us must do our part -- police, parents, the community, and our schools.

Every adult can be a mentor. You can support a local church or community group and help them offer after school programs.

Parents can keep their children in school, involved in positive activities and at home during curfew hours.

Under the budget, we have challenged our Police Department and every other City agency to do all they can to protect our children and keep them on the right track.

The Chicago Police Department will increase and better deploy police resources to troubled schools and on public transportation at dismissal times.

They will continue enforcing the city's curfew in every neighborhood. We know it saves lives.

I have asked them to use every resource to break up gang, gun and drug activity and to work more closely with the federal government to dismantle gangs.

They will work with our community policing program and Chicago's Public Schools to launch an improved safe passage program for our students.

We will also implement a new "Community Intervention Program" in three communities most at risk of youth violence, modeled on the initiative we piloted this summer in Englewood, and in partnership with Cook County Juvenile Court we have developed a new pilot program to connect young people charged with gun offenses in high risk neighborhoods with social services and a mentoring program.

Further, our community policing group, CAPS, will launch a door-to-door campaign to create and expand block clubs to act as the "Eyes and Ears" of our community, helping to keep kids safe as they go to and from school.

I again want to challenge every person in Chicago to end the code of silence. There are many ways people can safely and anonymously report crimes and criminals -- including through their religious leaders.

We will also, of course, continue our efforts to pass reasonable gun laws in Springfield, including creating an anti-gun trafficking task force.

We all know that a child who is involved in positive activities is better off and away from the threat of violence.

Toward that goal, despite our budget challenges, I have made it a priority to continue offering thousands of after school program opportunities this fall and throughout 2010.

Unlike other cities that have been forced to cut after school and summer programs Chicago is not only maintaining its existing youth programs, but expanding them.

Using parking meter funds, we are allocating \$1.5 Million for after school, recreational and summer education programs to serve an additional 1,500 youngsters ages 6 -- 18. We will also offer hundreds of students after school paid jobs.

Taken together this budget devotes more than \$33 Million to keep our young people engaged in positive activities and out of harm's way.

Next, to help out our kids on the right track starting early in life, we will invest \$8 Million in federal funds to expand early childhood education opportunities to low-income families through Head Start.

And, through a new program at our public libraries -- YOUmedia -- we will better connect teenagers with books, digital and computer technologies.

We are also stepping up our efforts to keep Chicago as safe and prepared as it can be. We will use federal funding to assign 36 new police officers to public transportation and the remaining 50 new officers will be put on street patrol.

The Office of Emergency Management and Communications will enhance its cutting-edge technology that will give 911 operators the ability to receive text messages, pictures and video, including real-time pictures from neighborhood safety cameras.

And, the Fire Department will have more of its engines and trucks upgraded to become Advanced Life Support units with advanced medical equipment and paramedics aboard.

We all understand that even as we take these steps we must also attack the underlying problems behind youth violence -- education, poverty and lack of economic opportunity.

And through our efforts to speed up our economic recovery, we will.

We won't emerge from the recession better prepared to create more jobs and opportunity unless we take the bull by the horns and act today.

Just last week, I announced that we will use up to \$25 Million in parking meter funds including \$8.4 Million next year -- to fund a job training program for Chicago workers who have been laid off during the bad economy.

It's called "TechCorps" and it will provide technology training for laid off workers in administrative and professional fields and employ them in temporary jobs. With this program, we want to create a pool of trained workers so any company looking for skilled employees can find it right here in Chicago.

We are also seeking federal and other outside funds to help support the program.

This effort will supplement our ongoing workforce programs which are intended to retrain Chicago's workers for new economy jobs, including \$59 Million contained in the 2010 budget for job training and placement programs.

In the next few weeks, we'll announce a major new collaboration between government and Chicago's business community, focused on using our resources more effectively to help recruit and retain businesses and trade shows in Chicago.

This effort will involve World Business Chicago, the Chicagoland Chamber of Commerce, the Chicago Convention and Tourism Bureau and major business leaders.

Further, I will propose new steps to help our small businesses stay afloat, so they too can retain and create jobs, especially in our hard hit neighborhoods.

As part of our efforts to close the digital divide, we are pursuing a federal grant for broadband infrastructure that would change the face of technology in the city, especially for underserved neighborhoods, and create jobs.

We will continue to implement our "Green Jobs for All" program to increase job training and the number of green jobs available in Chicago.

We'll propose how we hope to diversify for the "new economy", for example with jobs that specialize in biosciences.

And, as we work to create new jobs, I will continue to strongly urge the United States Congress to extend unemployment benefits for the 1.5 Million Americans scheduled to lose their benefits before the end of the year and to enact new tax incentives to support long-term job creation.

We also want to thank the federal government for supporting cities and states through the American Recovery and Reinvestment Act.

To date, the City and our sister agencies have received \$1 Billion in stimulus funds and have applied for an additional \$1.6 Billion, all aimed at retaining and creating local jobs.

Our unique Recovery Partnership with the local philanthropic community is helping to make these dollars go even further.

But our efforts to secure Chicago's future don't stop there.

In this budget we will, of course, continue to invest to improve neighborhood quality of life.

We will continue to invest funds to help homeowners prevent foreclosure and hold property owners responsible for securing and maintaining vacant properties.

We will return more vacant properties to productive use as viable housing, rather than letting them contribute to neighborhood blight.

We must continue to invest in our city's streets, alleys and sidewalks, or we risk falling behind.

Through our capital program we will reconstruct 11 miles of sewers and lining and rehabilitate an additional 40 miles of them. We will resurface more than 550 blocks of local streets and more than 110 alleys and replace more than 150 blocks of sidewalks.

In addition, we will install 100 blocks of new residential street lighting and install new or upgraded traffic signals at 21 intersections.

We will start construction on new community anchors -- a new fire station at 22nd and Kedzie and the new 23rd District Police Station at Halsted and Addison Streets.

The new West Town Branch Library will be built, and the City will begin construction of the new West Humboldt Park, Greater Grand Crossing, Marshall Square and Dunning Branch Libraries.

The challenges we face today are greater than ever. But, we can't let the challenges of tough times stand in our way.

The balanced budget I propose today responsibly meets the challenges of the most painful economy in 70 years.

It maintains city services. It does more with less. It protects taxpayers.

It invests in people's most pressing needs.

Some will say we should have cut essential services and raised taxes to balance our budget.

I disagree.

During these tough times, that's the last thing people need.

I choose to be on the side of Chicago's working and middle class families.

With this budget, I'm confident that we will get through these tough times and that we'll build a better, stronger Chicago for them and every Chicagoan.

Thank you.