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Stagnant economy forcing cuts in city

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LAKESIDE — Despite recent slashes to the city budget and growing reserves, city officials are preparing to cut approximately \$2 million to balance the 2010

budget due to the stagnant economy.

The city expects to hold a \$1.5 million general fund surplus at the end of the year, nearly \$1.2 million more than it did two years ago, along with \$850,000 in reserve funds, but both City Council members and the administration are hoping

to stay in the black without spending their savings.

“To make progress of \$1.2 million in two years in the middle of the worst economy since the Great Depression is not bad, but it doesn’t mean we’re not

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projecting a deficit because our revenue is down so much,” said Mayor Ed FitzGerald. “Right now we’re optimistic that we’re going to be able to avoid any kind of big layoffs or service cuts.”

Over the last two years, the city has also established reserve funds in the amount of \$850,000 which the administration plans to use for large planned expenditures, such as pensions and payouts for senior safety service employees planning to retire at the end of 2010.

While the city’s income tax revenues are holding steady, according to FitzGerald, property taxes have decreased

about 6 percent, leaving the city with \$1 million less in revenue. A 17 percent cut in state funding, upcoming pensions and looming sewer projects are also threatening to diminish reserves in the coming years.

The city cut approximately 5 percent of its expenses last year due to the declining economy which continued to crash in 2009 and this year they will have to continue looking for ways to put revenues over expenses.

“We were hoping last year that we were cutting ahead of the curve so we would arrive at the point where we reduced the government successfully, and we could ride out the storm,” said Ward 3 Councilman Mike Summers, chair of the finance committee. “The unexpected piece is that the

economy just fell apart so the curve got steeper.”

FitzGerald is optimistic about the cuts made over the last few years, hoping that it will pay off when the economy turns around.

“In a way, we tried to turn it into a positive because when the economy gets better, we’ll have a smaller, more efficient and more effective government, and hopefully we’ll be the beneficiary of that when the economy improves,” he said.

The current \$2 million gap, which amounts to about 5 percent of the city’s operating budget, could be closed in several ways, according to FitzGerald, including reducing personnel through attrition, new union contracts or some sort of increase in revenue.

“We’re exploring every option short of an income tax increase right now,” he said. “At a certain point in time, we will have basically created as much efficiency as we can in this system. We’re not quite there yet, but we’re very, very close so I might be able to recommend some cuts for 2010 that the general public will not experience. I think we may get through 2010.”

The city is currently in negotiations to renew contracts with all six workers’ unions and FitzGerald is hoping all employees will make the change from a full coverage to a 90/10 healthcare plan. Currently, only non-union employees, paramedics and American Federation of State, County and Municipal Employees Administrative workers are on the plan.