

STATE OF THE CITY ADDRESS 2015

This is my sixth State of the City Address. Every year before this I have sounded the alarm regarding the perilous condition of the City's finances, primarily because of the horrendous bond debt associated with the Uptown Tax Increment District, a boondoggle not so lovingly referred to as the Uptown TIF. That problem remains, but while most of the world was reeling the last few years from the deep economic recession and the tepid recovery, we have been able to stabilize the City's finances and are well-positioned to enjoy the more vibrant economic recovery that appears to be unfolding. As a result, I am as optimistic as ever about the City's future.

That does not mean by a long shot we are out of the woods. Although it is fair to say we have backed away from the financial precipice that we faced not so long ago, new financial challenges are staring us in the face. Because of that, this is no time to turn away from our resolve to make sure that every single dime we ask the taxpayers to give to us is spent as wisely and frugally as possible.

Before I get into details about the state of the City, I want to note the efforts of the City Council members who devote many long hours working to make this City a better place to live. Last year, this Council recognized the long list of tasks which needed to be accomplished and broke with tradition by discontinuing the practice of canceling meetings during the summer. Instead, these gentlemen buckled down and, among other accomplishments, instituted a new procurement process, finalized a revision of the Sign Ordinance, worked towards simplifying and liberalizing the City's antiquated liquor ordinance and even found time to throw a barbeque fundraiser to support the Fine Arts Society's Concerts in the Park.

Now to the State of the City. The residents need not take my word that our financial picture continues to get better. Very recently, the City began the process of refinancing some of the Uptown TIF bond debt. Part of that process involved a review of the City's financial condition by Moody's Investors Service. In its report issued just two weeks ago, Moody's maintained the City's high bond rating and stated "the city's financial operations are expected to continue to improve in the near term due to recent, substantive changes implemented by the city's new management. Following several years of low-reserve balances stemming from reduced revenue streams throughout the recession, the General Fund has stabilized.... The city's new management team has implemented policies to balance TIF operations and completely eliminate General Fund support for the TIF as early as calendar year 2015....General Fund liquidity levels have improved over the past two fiscal years, increasing from \$1.9 million, or a very limited 6.2% of revenues in fiscal 2012 to \$6.0 million, or 19.2% of revenues in fiscal 2014. Management attributes the increase in cash to conservative budgeting and delaying capital purchases not currently needed....As the General Fund ceases its support for the Uptown TIF Fund in 2015, liquidity levels should drastically improve."

The Moody's report is even more encouraging given the fact that our neighbor, Rosemont, has been downgraded by Moody's twice, in October 2013 and December 2014, to "A3," four levels below Park Ridge's bond rating. And worse yet, the City of Chicago has seen its bond rating drop five levels in just the past nineteen months to a level closer to junk bond status than it is to our own rock solid status.

The good report from Moody's was tempered with a caution that the City's future bond ratings still face a negative outlook which "reflects the financial stress related to the Uptown [TIF] which, prior to the 2014 property tax levy increase of 22%, had relied on General Funds

subsidies to meet debt service obligations and revenue sharing agreements. Although management has implemented policies to support TIF operations and General Fund liquidity has improved to adequate levels, available cash remains below average for the small city's rating category."

What does this mean in practical terms? It means that the fiscal discipline noted by Moody's which has been shown by this and recent City Councils must be maintained and even strengthened so that our situation continues to improve and Moody's will feel justified in removing the negative outlook.

According to the latest figures, the City's General Fund will generate another \$800,000 surplus in the current fiscal year which ends on April 30, 2015. And the good news continues. The City Council is currently working on the budget for the next fiscal year beginning May 1, 2015 which, as of now, would result in a projected surplus of \$440,000 in the General Fund.

These surpluses in the General Fund are critical to the City's long-term financial health. Just five years ago, the City's unrestricted General Fund balance stood at a dangerously low \$2.6 million, barely one-third of the figure it should be according to generally-accepted municipal standards. By the end of the next fiscal year, if projections by the City's staff are accurate, the General Fund balance will be almost \$8.1 million, surpassing for the first time the target fund balance which would allow the City to meet and exceed that minimum standard.

As I said last year and the year before that, much of the credit for these successes goes to a combination of a vastly improved budget process, stricter controls over spending and increases in non-property tax revenues.

Unfortunately, after years of successfully reducing its dependency on property tax levy increases, the City was literally forced into a 22% property tax increase this year. Of that 22%

increase, more than half of it was devoted solely to paying the deficit on the Uptown TIF bond debt and another sizeable chunk of the 22% increase was attributed to the referendum approved by the voters which increased the Library's tax levy by approximately a million dollars a year. The City Council has very little control over how that money will be spent. However, it is my sincere hope that newly-constituted Library Board will spend the taxpayers' money wisely.

While the City's finance staff and the City Council have done everything possible to reduce the impact of the TIF debt, the fact is the bond debt is an albatross that will not go away and, regrettably, will be borne by the property taxpayers for years to come. I am not happy about that at all, but it is the hand we have been dealt, and we will simply have to deal with it.

However, even the dark cloud of the TIF finally has a silver lining. In January 2013, the City's TIF consultants projected that the total deficit for the TIF over its lifetime would reach \$26 million. Since then, our City's staff has worked diligently trying to find ways to reduce the impact of that debt. I am pleased to report that the staff's tax code segment project, which involves a review of individual parcels within the TIF District, will generate an additional \$400,000 of revenue annually, and with the continuously improving local economy, the projected total deficit is now down to \$22.9 million.

And there is more good news. Later this evening, the City Council will be voting on refinancing two series of TIF bonds which will result in another \$1.8 million in savings over the lifetime of the TIF. Therefore, the \$26 million deficit projected in January 2013 has been reduced in a little over two years to approximately \$21 million, a significant \$5 million reduction. And, there is even more potential good news on top of that. The City Manager reported to me this morning that he believes staff has identified additional parcels through the tax

code segment project which could net an additional \$150,000 a year in annual savings on the TIF debt. The significance of our staff's achievements cannot be understated.

Although the next property tax levy will not be determined until December 2015, all signs point to an increase that will be well below the 22% level from December 2014. But that could change if Governor Rauner's proposal to cut municipalities' share of state income and sales tax receipts by 50% is adopted by the State Legislature. If adopted, the City will face an estimated \$1.8 million shortfall in its budgeted revenues requiring spending cuts, layoffs, and/or a higher property tax increase. Last Friday, I met with the Governor's local government liaison and expressed support for the Governor's efforts to tackle the State's budget woes, but urged him to let the Governor know that such a drastic cut with no notice and no corresponding reduction in the unfunded mandates imposed by Springfield, especially public employee pensions, is inappropriate and will be harmful to my constituents.

There have been a number of other achievements in the City over the past year, and more are on the way. The City Manager has stabilized the Finance Department, hiring a new highly-capable Finance Director and an Accountant, facilitating the TIF bond refinancing and ensuring that the City's annual audit, which was delayed the prior year, was completed on time this year. The City also embarked on the Good Neighbor Initiative which will allow the City to assist many social service organizations in delivering services to those in need without incurring additional expense from the taxpayers. The long-awaited repaving of Prospect Avenue and Summit Avenue, including the commuter parking lot, was finally completed. And I am exceptionally pleased that the Touhy Avenue viaduct, which had been in even worse condition than originally believed, was finally repaired.

The City continues to strive to be the most transparent local government anywhere around. Now, the City Council is planning to embark on a new policy which will keep the residents informed regarding the details of labor union contract negotiations. While federal and state labor laws are most certainly stacked against the taxpayers, there is no reason why the taxpayers should not at least be told what the unions are asking for and what the City is offering. It is the taxpayers' money, and they have every right to know how it is being spent. And we will continue with other initiatives to give the citizens an even more transparent government, including making even better use of the City's website and making it more user-friendly and informative and posting background information regarding the selection process of professional services.

Last year was another good year for economic development in Park Ridge. With the continued success of the new Whole Foods and the opening of the Mariano's store on Cumberland, the decision of these two well-respected corporations to locate in Park Ridge was an encouraging sign. There is new construction everywhere you look in the City. Housing prices are rebounding and developers are forging ahead with large-scale projects which will add to the City's property tax base and provide our local retailers with hundreds of potential new customers, all of which will help ease the burden on individual property tax payers. Another promising development lies in the planned openings of three different restaurants in the Uptown area and the construction of an upscale fitness club which will draw people to the City from all over the surrounding area.

The City will continue to work closely with the Chamber of Commerce and other local businesses to promote the local business community. And as I have done in every prior State of the City Address, I again urge the residents of Park Ridge to support local businesses and

remember that every dime the City collects in sales tax revenue is one less dime it must levy in property taxes.

I want to again mention the situation in Springfield. There should be no doubt in your minds that what happens in Springfield has a major impact on the City's financial well-being and the financial well-being of its individual citizens. That is why I call on the citizens of Park Ridge to become better educated about what happens Downstate and to let their State Representatives and State Senators know how they feel about issues affecting their pocketbooks. When I first took office as Mayor in 2009, our expenditure for fire and police pensions for the 2008-2009 fiscal year was \$1.7 million. In the proposed budget for the upcoming fiscal year, we must devote \$3.4 million to funding our pension obligations, double what it was just 6 years ago. To put that in perspective, this Consumer Price Index has increased approximately 11% over the same time our pension obligations have increased 100% What is wrong with that picture? The City has zero control over our pension obligations; they are mandated by Springfield, so only Springfield can bring us relief which would benefit the City and its taxpaying residents.

We still face many other challenges. The City continues to make progress in addressing its chronic flood control issues. Several completed projects have provided benefits to many residents, and the City continues to bolster its sewer maintenance and sewer re-lining programs. There is no question there are parts of town where flooding remains a critical issue. However, it is an inescapable fact that our resources are limited and the taxpayers' ability to absorb the cost of massive expenditures is limited as well. And it is also an unfortunate fact that some problems simply do not lend themselves to easy or even not-so-easy solutions.

Nevertheless, the Council has no choice but to tackle these issues, since flood control is a fundamental aspect of life in our City. To that end, the Council is in the process of exploring

establishing a Storm water Utility which will provide a steady stream of revenue to finance flood control projects, large and small, all over the City. While we are doing that, the City Council should also consider scrapping the “in lieu of” payment which allows developers to pay a fee to the City instead of constructing new developments in such a way that the property can retain all of its storm water runoff in the event of a major storm. The City should also re-visit the issue of the floor-area ratio in its Zoning Ordinance, a reduction in which would help preserve open, permeable space which absorbs storm water. There is no way of knowing for sure how the explosion of McMansions in the City has affected the City’s flood problems, but it cannot possibly have helped. It is time for another look. Finally, as I mentioned during my conversation with the Governor’s aide last week, Springfield should take a long hard look at how it allocates its funding for flood control. As of now, Park Ridge is not considered by the State to be flood prone, meaning we are not eligible for any of the grants our neighbors occasionally receive. That should change.

The O’Hare expansion also continues to be a vexing problem for some residents. Our efforts to convince the Federal Aviation Administration and the City of Chicago to reevaluate the noise contour map and conduct a Supplemental Environmental Impact Study have fallen on deaf ears. Although we have received some support from our Congressman, that support has not been enough to alter the course of events. After years of effort, we were finally able to convince the members of the O’Hare Noise Compatibility Commission to adopt a resolution supporting our call for the FAA to conduct that supplemental study. Again, however, the FAA thumbed its noses at the very people who are most affected by O’Hare. The only light at the end of the tunnel appears to be the fact that the airlines are retiring older louder jets in favor of newer quieter and more fuel-efficient jets which will slowly, but surely, lead to reduced noise levels in

future years. Meanwhile, there has been some effort in Washington to speed up that process by establishing maximum average decibel levels much the same way the federal government mandates fuel efficiency standards. However, even if that legislation is fast-tracked, the results would not be felt for many years to come. Until then, the best we can hope for is literally an act of Congress to force the FAA to do the right thing and conduct the supplemental study.

The City is also exploring alternatives to buying water from the City of Chicago. Anyone who pays a water bill knows they have been going up dramatically. That is due in large part to the extreme price increases imposed by the City of Chicago. We are presently considering options which include buying water from Evanston or Wilmette. However, both options would require a substantial and expensive capital project to build a connecting pipeline. There will be a lot more discussion about that issue in the near future.

Despite these problems, there are many positive developments in the City which deserve recognition. Very recently, Park Ridge was again named one of the 100 safest cities in the country, and we also learned that our crime rate continues to decrease, hitting a new five-year low. This exceptional ranking can be attributed to our hardworking police officers, the many citizen volunteers who assist them in their duties, including especially the Citizens and Parent Patrols, and to the residents of the community who are vigilant in watching out for each other. I also applaud the efforts of our other volunteers who serve on the City's boards and commissions. In the past year, we have witnessed a huge influx of residents who want to participate, so many in fact that we frequently have more applicants than openings. It is heartwarming to see so many people eager to participate in their City government.

Park Ridge clearly remains a desirable and vibrant community, frequently scoring very high in surveys of Illinois towns and cities of best places to live. The City's cultural arts

continue to thrive. The Park Ridge Civic Orchestra continues playing to huge audiences in the magnificently-restored Pickwick Theater. The ever-popular Concerts in the Park continue to draw thousands of people to an expanded season, and residents who have enjoyed the free concerts are beginning to show their appreciation by offering grass roots financial support to the Fine Arts Society. I hope for even more support in the coming year, including during the eagerly-anticipated Fourth Annual City Council Barbeque Fundraiser. All of this is a reflection of the generosity of our residents and the strength of the City's spirit of volunteerism. We are blessed to be living in such a place which has such a strong sense of community.

My thanks go out to all of the people here tonight and those who are or will be watching the Address on television or the City's website. Have a good evening.

N:\DFS\CITY\2015\STATE OF THE CITY ADDRESS.doc