



WADE KAPSZUKIEWICZ
MAYOR

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Toledo City Council
One Government Center, Suite 2120
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Members of Toledo City Council:

Exercising my powers contained in Section 43(A) of the Toledo City Charter, I allowed Ordinance 311-18 (funding for the Employee Engagement Survey), passed at the Toledo City Council meeting of August 14, 2018, to become law today without my signature.

Taking this action was unusual, and I did not do so lightly. Obviously, I support the need to conduct a first-of-its-kind employee engagement survey. The worthiness of the cause was never at issue; the source of funds was.

Simply put: the City of Toledo does not have enough money in its General Fund Balance. The city's trip this week to New York City to visit the ratings agencies made this fact crystal clear. As much progress as we have made in recent years growing the size of the General Fund Balance, it still needs to be more than double the \$17.2 million it was in 2017. That is what it requires to meet industry best standards, and so that must be our goal.

Perhaps I had not expressed this clearly enough in the past, and so I did not feel it was fair to veto Ordinance 311-18. Since I cannot justify spending money from an account we should be desperately trying to increase, I allowed the expenditure to be made without my signature.

However, I do think this incident provides me the opportunity to express, in the plainest terms possible, my intent moving forward: **I will veto any ordinance that removes funds from the General Fund Balance, unless the expenditure relates to a service directly provided by the City of Toledo and cannot be financed with savings found elsewhere in the approved budget.**

In the case of Ordinance 311-18, the program could have been funded with savings found elsewhere in the approved budget. The Human Relations Commission (HRC) just swore in its first board members on Monday, and with less than five months left in the year, there is simply no conceivable way the HRC can spend the full \$64,000 it was allotted in the 2018 budget.

Of course, this is not an indictment of the HRC, nor an indication that I don't support its vital work or mission. It is just simply a reality created by the ever-dwindling number of days left in the year. As such, it would have been a perfect fund out of which \$20,000 could have been used to pay for our employee survey -- a far better option than reducing the balance of a fund that is, essentially, already millions of dollars in the red.

In other cases, worthwhile community programs will be suggested as candidates for funding. All such programs undoubtedly have merit and provide critical services essential to our community. Programs this important should be funded through our formal budget process -- whether CDBG, CIP, or general fund -- not advanced in a post-hoc fashion after we have thoughtfully developed and passed a shared budget. Indeed, that is why we develop a budget in the first place. If a program is important enough to fund, it is important enough to be put in the budget.

We have made so much progress over the last few years to get our financial house in order. In just four years, we have grown our General Fund Balance from \$1.4 million to \$17.2 million, and yet despite this hard work, Toledo still has the lowest bond rating of any of the large cities in Ohio, which means our taxpayers pay more on interest than those in other parts of the state. What is worse, we are projecting a \$9.9 million deficit in the general fund for next year and a \$15 million deficit in 2020. The fund balance -- or the CIP transfer -- may need to be used to close these significant gaps. We can't afford to keep digging ourselves a deeper hole.

We face a daunting challenge, but I know we can address it -- together. We can achieve our common goals, and at the same time, we can remain true to our budget principles. Let's find a way to fund worthwhile projects -- but let's do it the right way. Please know that the members of my administration will work with you to help make this happen.

Even while acknowledging our progress during our visit to New York City this week, the analysts from Moody's and Standard & Poor's have asked us to do better. Working together, I know we can meet their challenge.

Respectfully,

A handwritten signature in black ink that reads "Wade Kapszukiewicz". The signature is written in a cursive style with a large, looping flourish at the end.

Wade Kapszukiewicz
Mayor, City of Toledo